

I. DOMESTIC AND INTERNATIONAL AGRICULTURAL POLICY

AGEC 4613
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COLLEGE OF AGRICULTURE AND HOME ECONOMICS
DEPARTMENT OF AGRICULTURAL ECONOMICS AND AGRIBUSINESS

Course Outline - Fall 2007

II. Catalog Description

4613 Domestic and International Agricultural Policy (I) Agricultural and food policies studied from domestic and international perspectives. Course examines public policy in terms of rationale, content, and consequences. Economic framework used to assess policies to improve competitive structure, operation, and performance of U.S. and international food and agriculture. Farm, international trade, resource/environmental, technology, food marketing and consumer policies are analyzed.

Prerequisites: AGECE 1103, and AGECE 2103 or equivalent, or consent.

III. Course Outline

This course outline is subject to change throughout the semester. An up-to-date course syllabus will be maintained at the class website at <http://webct.uark.edu/>. It will include hyperlinks to reading assignments, lecture notes, exercises, examination reviews, course summary and other useful information. Please make a habit of using this website regularly.

A. Course Objectives

The objectives of the course are to develop the student's understanding of an economic approach to domestic and international food and agricultural policy regarding:

- 1) **Rationale** - What are the economic conditions of the food and agricultural sector that give rise to public concern and government intervention? How do economic conditions and issues in food and agriculture evolve as a country develops over time? What is the role of food and agriculture to the economic development of a country? How does the political economy, the political institutions, participants, legal environment affect the nature of government intervention?
- 2) **Content** - What is the nature of government intervention, what issues are and should be addressed by public policies in food and agriculture? What are the policies, programs and program instruments used to address policy in food and agriculture? How do these change over time as a country develops? How do these programs work?

- 3) **Consequences** – What are the benefits and costs of government intervention? What are the intended and unintended effects of government intervention? How do these consequences lead to or constrain the ability to governments to change or reform policies as issues change?

Students should gain knowledge of the theoretical and empirical analysis of agricultural policies and practices. Fundamental to this framework is the notion that domestic and international agricultural policies are intertwined and subject to a broader set of economic, social, political, and technological factors. An understanding of how nations intervene in agriculture through domestic and international policies will be investigated. The impact of globalization and multilateral policy approaches, the role of agricultural trade and international resource externalities has resulted in a growing emphasis on decoupled policies, green ‘environmental’ payments, and regulatory approaches to food safety and biotechnology through traceability and labeling. These and the more traditional closed economy approaches to public intervention in food and agriculture will be explored.

Students will develop skills in:

- Estimating economic costs and benefits of public policies,
- Evaluating the economic and political feasibility of policy change, and
- Critical thinking about the need for policies and policy reforms.

This course seeks to develop and improve students’ knowledge of the role and impact of U.S. and other nations’ agricultural policies on the global agricultural economy and environment. Students will confront the notion of domestic and international interdependency and recognize the contribution of economic analysis to design, implementation and evaluation of public policies.

U.S. agricultural policy will receive paramount consideration given it’s importance not only for domestic U.S. producers and consumers but also for global agricultural trade as the largest exporter and one of the largest importers. Much of domestic U.S. agricultural policy is framed in so-called ‘Farm Bills’ that provide authorization for a period of five to six years. The current legislation will expire in September 2007. The U.S. Congress is in the process of writing new legislation. The US Department of Agriculture (USDA) formulated a comprehensive 2007 farm bill proposal, released last January. The House of Representatives passed H.R. 2419 as their farm bill for the next five years. The U.S. Senate will take up a formulation of the 2007 farm bill when senators return from the August recess. We will observe the development of this legislation this semester. European Union policy will also be considered. Recent reforms in the so-called ‘Mid-Term Review’ have moved their policies toward greater market orientation and increased attention to environment and rural development. Policies of other countries or regions will be noted when relevant to understanding the policy environment of global food and agriculture.

IV. Conduct of the course

The objectives of this course will be achieved through a combination of:

- Lectures, (power-point notes will be posted on WEBCT)
- In-class quizzes
- Reading assignments, (assignments will be made in class and posted on the WEBCT calendar)
- Group and/or individual exercises, (will be posted on WEBCT and must be submitted as attachments by email (direct or on WEBCT). Please note that your computer may have MS 2007. I request that all files sent to me be saved as MS 2003 version files.
- Class discussions, (students are strongly encouraged to ask questions throughout the lectures and comment when asked by the professor)
- Formal exams, a mid-term and a final exam will be given, both comprehensive on material covered to date. A make-up exam will be given if the student is engaged in a university sponsored event and provides the instructor with advance notice of one week. If the student misses the exam because of illness, a letter from a doctor will be required. All make-up exams will be taken within one week. (Exams will be short and long answer essays, algebraic solutions to market and policy problems, and concept definitions.)
- Written assignments (papers must be submitted no later than 5 p.m. on the due date and may be submitted in either hard copy or by email)
 - three issue briefs (3 pages) for all students
 - a term study (approximately 30 pages for graduate students).

The three issue briefs will be from the following areas:

1. U.S. policy and rent-seeking behavior: Select a special interest lobby (commodity organization, general farm organization, environmental group, consumer group, etc.). (See outline for Rent-seeking brief) **Due date: September 20, 2007**
2. International agricultural trade policy: Select from any of the following topics:
 - a. Agricultural trade and trade policy of a specific country other than the U.S. (see outline for country brief),
 - b. A regional trade agreement (NAFTA, EU, MERCOSUR, ASEAN, FTAA, etc.)
 - c. The agriculture agreement of the WTO and current Doha round negotiations
 - d. Any other issue related to agricultural trade (subject to approval by Prof. Wailes)**Due date: October 23, 2007**
3. Environmental policy. Select from any of the following topics:
 - a. Conservation title of the U.S. 2007 farm bill
 - b. Specific U.S. conservation programs such as CRP, CSP, WHIP, EQIP, FIP, etc
 - c. Global environmental issues and potential solutions such as the Kyoto Protocol
 - d. Write a review of the movie *An Inconvenient Truth* using concepts of the course
 - e. Any other issue related to environmental policy such as TMDLs, soil or water conservation, water quality, etc. or environmental policies in other countries or regions (subject to approval by Prof. Wailes) **Due date: November 29, 2007**

Generalized outlines will be made available on WEBCT for each of these three papers. Late papers will be marked down by 5 points for every day past the due date (with the day counted at 12 a.m.). Papers should be typed, properly cited, and should be the work of each individual student. Material included in the paper that is explicitly quoted from a source should be

identified as such, providing author, publication title, page number and other relevant citation information. A paper that is mostly a set of quotations will be evaluated unfavorably. A common type of academic dishonesty is plagiarism. Papers will be checked using online tools for plagiarism and if found will be given a grade of zero.

In addition to the above paper assignments, graduate students enrolled in this course will also write a term study paper that will assess in greater depth a current food or agricultural policy issue, providing a background and assessment of the issue and economic analysis of alternative solutions. The policy issue/area should be proposed by the student and accepted by the professor by the end of the third week of the course.

B. Teaching Units

Unit 1. Course overview, content, scope, and method of agricultural policy and policy analysis. The objective is to provide an overview of the course objectives and approach. Students will learn what is, who makes, and how is food and agricultural policy determined. Evaluation will be based on mid-term and final exams and class discussion and participation on homework assignments.

Unit 2. Economic and political foundations of agricultural policy. This section will focus on understanding U.S., EU and other country domestic agricultural policy. Objectives will be to use supply and demand frameworks, elasticities of supply and demand to examine the U.S. economic situation for food and agricultural policy, the foundations of price and income policy. Welfare economic concepts of producer and consumer surplus will be taught and used to explain consequences of U.S. farm commodity policies. A description of the basic policy mechanisms used in U.S., EU and other country agricultural farm policy will be made and analyzed. Evaluation will be based upon: 1) homework assignments on calculating elasticities, market solutions, policy solutions in supply and demand frameworks, cross-commodity and input-output market relationships, 2) a special interest lobby paper on 2002 Farm Bill, and 3) mid-term and final exams.

Unit 3. International agricultural policy, the world food equation and the role of international agricultural trade, economic analysis of trade flows, composition, and trade policies. Objectives include the use of international trade theory to explain comparative advantage, competitive advantage, gains from trade, effects on factor markets and prices, mechanisms and consequences of trade protectionism (e.g. tariffs) from both importer and exporter perspectives, evaluate the effects of macroeconomic policies on exchange rates and trade, measure nominal and effective protection rates, develop an understanding of the basis for and consequences of agricultural trade reform via unilateral, regional, and multilateral mechanisms. Students will be evaluated on the basis of 1) class discussion and homework assignments, 2) a paper on foreign country agriculture and trade, and 3) the final exam.

Unit 4. Resource policy and analysis of environmental issues. The objectives are to introduce the student to the concepts of public goods and externalities in resource use. Examine alternative policies to correct for externalities in both static and dynamic frameworks. Examine specific public policy issues such as soil conservation, water use and wetlands issues, global warming, and land use policies. The students will be evaluated on the basis of 1) class discussion and homework assignments, 2) a paper on environmental issues, and 3) the final exam. Readings will be from:

Textbooks and Tools:

Required: None

If you feel like you'd like to have one as a reference see the following:

Knutson, Ronald D., J.B. Penn, and Barry L. Flinchbaugh and Joe L. Outlaw. *Agricultural & Food Policy*. 6th Edition. Pearson Education, Inc. (Upper Saddle River, NJ). 2007. Purchase online at www.prenhall.com/agsite (The 5th ed. is available at other online book sellers like Amazon and Barnes and Nobel It is a reasonable substitute.)

Recommended and on Mullins Library Reserve:

Browne, William P. *et al. Sacred Cows and Hot Potatoes: Agrarian Myths in Agricultural Policy*. Westview Press (Boulder). 1992.

Houck, James P. *Elements of Agricultural Trade Policies*. Macmillan Publishing Co. (New York). 1986. (Reissued by Waveland Press, 1992).

Koo, Won W. and P. Lynn Kennedy. *International Trade and Agriculture*. Blackwell Publishing. 2005.

McCalla, Alex F. and Timothy E. Josling. *Agricultural Policies and World Markets*. Macmillan Publishing Co. (New York). 1985.

Peterson, E Wesley. *The Political Economy of Agricultural, Natural Resource, and Environmental Policy Analysis*. Ames: Iowa State Univeristy. 2001.

Reed, Michael R. *International Trade in Agricultural Products*. Prentice Hall. 2001.

Schmitz, Andrew, Harley Furtan, and Katherine Baylis. *Agricultural Policy, Agribusiness, and Rent-Seeking Behaviour*. University of Toronto Press. 2002.

Tweeten, Luther and Stanley R. Thompson. Eds. *Agricultural Policy for the 21st Century*. Iowa State Press. 2002.

V. Student evaluation

Points will be based on exams, term studies, and class exercises as follows:

	Undergraduates	Graduates
1 st exam	15%	15%
2 nd exam	15	15
Class exercises/participation	15	15
Papers	30	15
Term paper		15
Final exam	25	25

The final grade will be assigned approximately as follows:

93-100 = A

88-92 = A-

84-87 = B+

79-83 = B

75-78 = B-

71-74 = C+

67-70 = C

62-66 = C-

57-61 = D+

53-56 = D

50-52 = D-

< 50 = F

VI. Class Attendance, Office Hours, Disabilities, and Course revisions

Attendance is expected. If you expect to miss a class please inform the instructor beforehand. Why is attendance important? Exams will be based heavily upon lectures. Specific assignments regarding the term study and class exercises will be given at lecture throughout the term. Class participation is one component of your final grade.

The instructor will provide office hours by appointment on MWF from 8-10 a.m.

If you want to request reasonable accommodations for this class due to a disability, you must first register with the Center for Students with Disabilities (CSD) and hand-deliver an official Accommodation Letter from the CSD to me during my office hours or after class.

The instructor reserves the right to revise the outline during the course of the semester with adequate notice to the students.

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Fall, 2007 Class Schedule

<u>Date</u>	<u>Topic</u>
August 21	Course Overview
August 23	Food and Agricultural Policy: Scope and Forces of Change
August 28	Economic Foundations of Agricultural Policy Analysis
August 30	Theory of Public Choice, Rent-Seeking and the Structure of Agricultural Policy Decision-making in the U.S.
September 4	The Macroeconomics of Food and Agricultural Policy
September 6	Elements and Evolution of U.S. Food and Agricultural Policy
September 11	The 2002 and 2007 Farm Bills, Content, Implementation and Controversies
September 13	International Dimensions of U.S. Agriculture and Policy Effects
September 18	Food and Agricultural Biotechnology Policies
September 20	Domestic and International Food Assistance Programs
September 25	Domestic Nutrition Policy, Obesity and Related Health Policy Issues
September 27	Food Safety and Bio-Security Policy
October 2	Prelim Examination
October 4	Agricultural Trade, Comparative Advantage, Gains from Trade (Guest Lecturer)
October 9	Agricultural Trade Policy, Tariffs and other forms of Protectionism (Guest Lecturer)
October 11	Free Trade Agreements, NAFTA, CAFTA and the Rest (Guest Lecturer)
October 16	U.S. Agricultural Trade Policy

October 18	The Common Agricultural Policy of the European Union
October 23	The WTO and Multilateral Agricultural Trade Reform
October 25	Prelim Examination
October 30	Resource and Environmental Economic Policy Analysis
November 1	Solutions to Static Environmental and Resource Problems
November 6	Solutions to Dynamic Environmental and Resource Problems
November 8	U.S. Conservation/Environmental Policies: CRP, EQIP, CSP, WHIT and the Rest
November 13	European and other approaches to Conservation and Environmental Policies
November 15	Input policies with an emphasis on Energy Policy and Bio-Energies
November 20	Global Warming and National/International Approaches to Policy
November 22	Thanksgiving Holiday
November 27	Rural Development Policy
November 29	The 2007 Farm Bill developments
December 4	Course Review
December 7	Final Exam, 10:00 a.m. – 12:00 noon