

What Makes Agricultural Economics Research Relevant for Policy Advice

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Economic advice: Lessons from Auction design

Some auctions have gone disastrously wrong while others have worked superbly well:

NZ auction: winning bid \$7 millions, but price was \$5000;

US Federal Communications Commission auction generated \$20 B;

UK spectrum for 3G mobile phone services auction generated \$34 B.

What can we learn from successful cases?

- The best academics were hired (Milgrom, Wilson, McAfee, Klemperer, Binmore)

- Development of new theories + refined empirical methods

- The heads of the government agencies/ministries were willing to act and take risks on new auction designs.

Why?



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Agricultural Economists as providers of Policy Advice

- Pressure to publish helps us stay « on top », but publishing is not a must;
- Our research is wide in scope;
- A long tradition in applied research;
- Open to multidisciplinary work (nutrition, law, pol.sc.);
- Institutional strength: research centers, research networks (ex., AAFC's networks, WEB), SSHRC and FQRSC research teams, research chairs (CRCs, Industry), CAES,
but... we have smaller and fewer departments across Canada;



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Agricultural Economists as providers of Policy Advice

- Regional/Commodity specialists and generalists;
- Too centered on the farm ?
- Some ideas take time to develop (This little piggy went to market (Klein et al,1997) -> Low-price low-capacity traps (Larue et al,2004));
- Policymakers need excellent research and it has to be made accessible.



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A few Lessons from Policy Advising

- Food Aid Projections (with K. Meilke): Who cares about confidence intervals?
- WGTA (with G. Coffin and R. Romain):
« Regional impacts?....What will I say to the Minister? »
- State Trading (with M. Veeman and M. Fulton)
« We want you guys to publish your results »
- HACCP on the farm (with JP Gervais, J. Hobbs, B. Kerr, R. Gray) « how bad should a bad scenario be? »
- Adjustment policies (with J.P. Gervais)
« great question but little has been done »



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A Recent Experience: The Commission on the Future of Quebec Agriculture (2007-2008)

The Commission's mandate was to identify and describe issues facing the agri-food industry in Quebec, assess the efficiency of government interventions and make policy recommendations.

The Commission received 720 position papers... and commissioned a few others, including one on ASRA from J-P Gervais and I.

The challenge:

Agreeing on the main problems,
Finding solutions, simulation of scenarios,
Dealing with implementation and political constraints.



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ASRA Issues: Economics, politics and ethics

deficits/financing
regional and commodity income redistribution effects,
large vs small producers (efficiency, redistribution...)
vertical linkages,
agriculture and rural development,
GATT/WTO and decoupling ,
federal programs.



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Examples of questions tackled

- Capping subsidies: « the hog barons are rich enough... »... « yes but there are economies of size in hog production...and environmental abatement »
- « It's bad that lamb market prices have accounted for less than 60% of the ASRA price during the last 10 years, but what are the alternatives? »



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What Happened to our policy recommendations?

The commissioners:

- highlighted the benefits of federal-provincial policy coordination;
- highlighted the discriminatory nature of the current ASRA programs and governance failures of the Financière Agricole ;
- got decreasingly concerned about program cost / financing, decoupling, comparative advantage, and basic facts about rural development and food security.

The provincial government:

- is preparing a plan to reform ASRA.



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Advice for policy advisers

- Do high quality work or run the risk of being « hammered »;
- Resist recycling old ideas or old tools;
- Agri-food supply chains are complex, evolve rapidly and (Paul Krugman would agree) must be modeled with originality and rigour ;
- Get mad or get excited, but avoid falling in dogmatic traps or be captured;
- Be selective in what you work on;
- We don't have all of the answers, that does not mean we are useless.



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