



Relevance of Agricultural Economics Research to the Policy-Making Process

Canadian Agricultural Economics Society
Workshop, October 24, 2008

T. L. Shenstone
Agriculture and Agri-Food Canada



Outline

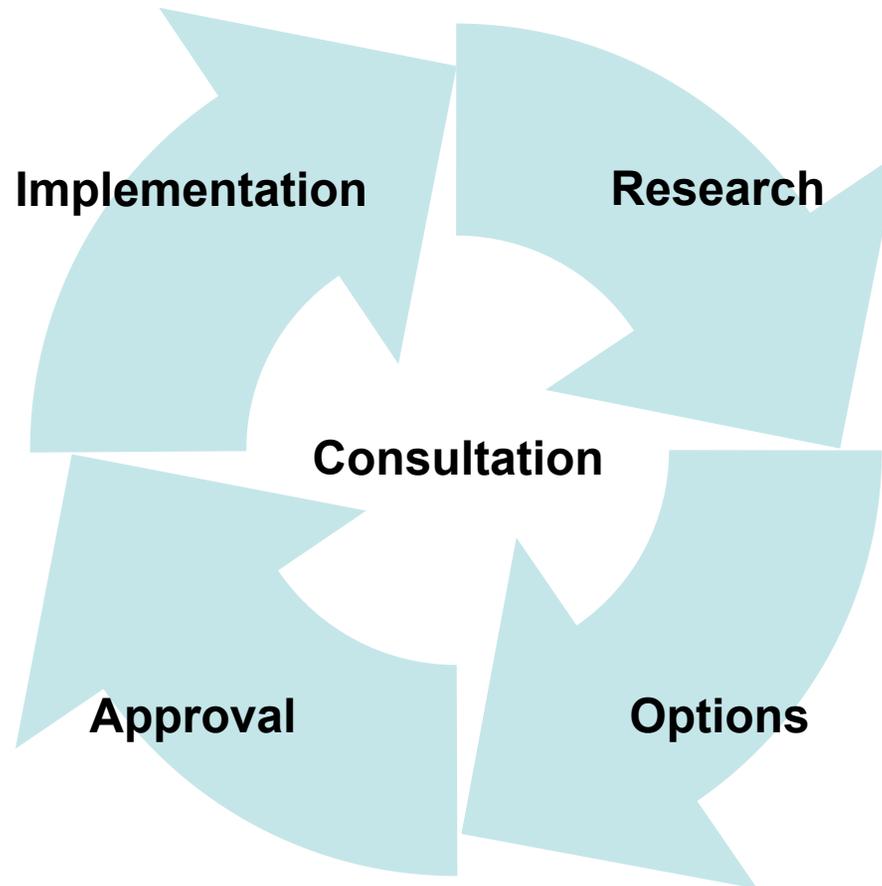
- Overview of the policy-development process
- What makes (agricultural) economic research relevant to the policy-development process
- Case Study: Growing Forward
- Potential directions for future work

Policy development is an iterative process, and economic analysis can be used at every stage



- Four stages of the policy-development process:
 1. Identify and study the problem
 2. Identify options and test their saleability
 3. Get approval to announce and implement
 4. Implement
- In practice, formal policy research opportunities are constrained by:
 - Framing of issue at outset
 - Timing of need

Policy development is an iterative process, and economic analysis can be used at every stage



What makes economic analysis “policy relevant”?



Relevant analysis:

- **Is simple**
- **Is timely**
- **Contributes to long-term understanding**
- **Catches windows of opportunity**

Challenges to relevance:

- **Institutional Inertia**
 - Big changes take time
- **The world is more complex than the theories or models that try to explain it**
- **Lack of convergence of research results**
 - Across disciplines
 - Within economics (e.g., results from one economic model can differ from the results of another model)
- **Some answers don't have practical applications**

What is the measure of success for the policy relevance of economic analysis?



- Richardson (1994, US): two ways to measure success:
 - How often does the economic argument rule in policy decisions: probably 10-15% of the time
 - How often does the economic argument change the nature of the debate: probably 20-50% of the time
- Sound analysis and information improves policy-making process at every step

Case study: Growing Forward



- Growing Forward is the second-generation federal-provincial-territorial accord governing agricultural policy
- The previous Agricultural Policy Framework (APF) focused on:
 - Limited set of national Business Risk Management (BRM) programs
 - Coordinated programming to improve environmental performance on-farm
 - Development of market-ready on-farm food-safety approaches
 - Federal investment in market-development assistance



Case study: Growing Forward (cont'd)

- Growing Forward development began in 2006, with:
 1. A review of APF effectiveness
 - Not enough emphasis on competitiveness, notably through innovation
 - Confusion regarding environmental role
 - General criticism of the APF development process from industry
 - Provinces felt non-BRM measures had inadequate flexibility
 2. An extensive consultation and review process
 - Broad analytical papers prepared and circulated
 - Opinions widely solicited
 3. Resolution of BRM issues
- Since 2007, focus has been on negotiating non-BRM action
 - Common objectives, funding, terms of flexibility



Future directions for policy research

- Can participate in the debate about income support
 - Is there a “farm problem”?
 - Are farmers different from other entrepreneurs?
- Can inform development of approaches to enhancing competitiveness
 - What is the industrial organization needed to enhance competitiveness?
 - How effective are various measures to enhance competitiveness?