

Sequence 2 : The farm model

Unit 2.3 : Simulating a public policy

Lesson 18 : Public policies

Sophie Thoyer

ModelEco

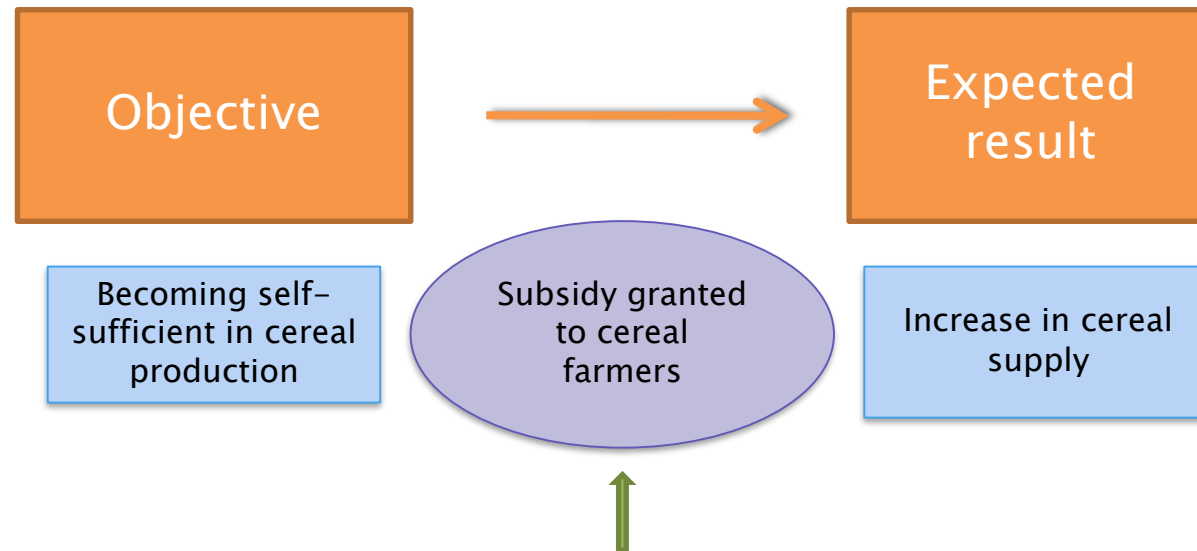
The importance of public policies in the agricultural sector

- ▶ The agricultural sector is a strategic sector
 - Food security
 - Providing raw materials
 - Land use
 - Economic weight, ...
- ▶ Government Intervention at different levels in order to :
 - Influence the choices of farmers
 - Enlarge farm structures
 - Develop food chains
- ▶ And a well-stocked economic « toolbox » :



What tools to choose, for what objectives ?

What economic tools for agricultural policies ?



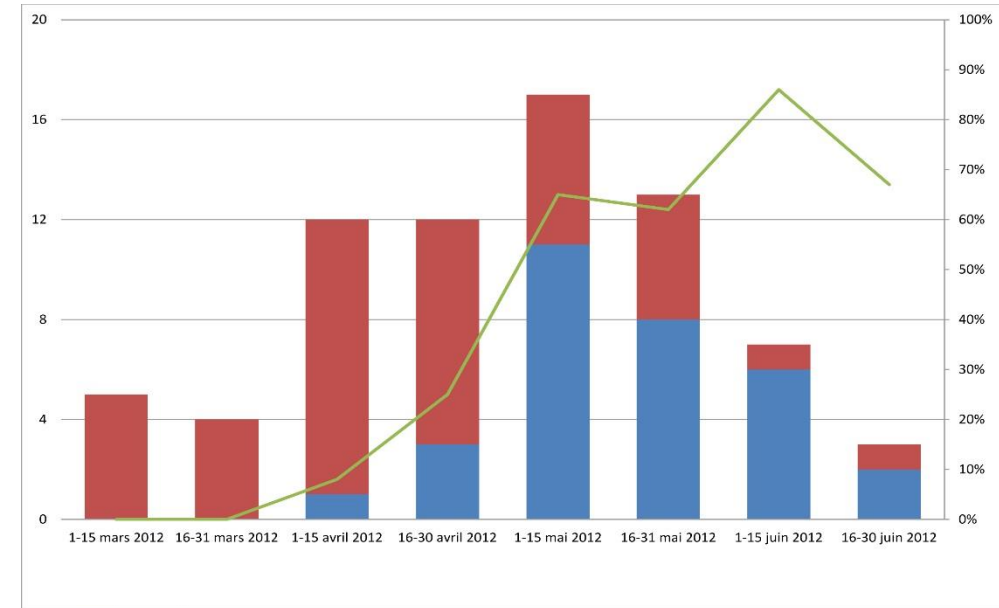
- Subsidy amount ? Estimated budget ?
- Could the same objective have been met on a lower budget thanks to an alternative policy ?
- Unexpected effects of this policy ? Decrease in the production of other crops ?
- Effect on the income of farmers ?



Necessity to assess and compare the options before the policy may be implemented

Models to help make agricultural policy choices

- ▶ Models to test and compare different agricultural policy tools
- ▶ For example, the European Commission carries out “impact assessments” before it makes suggestions concerning CAP reforms :
 - ▶ simulation of the reaction of the agricultural sector following the introduction of per-hectare payments, quotas on amounts produced, environmental aid etc.
 - ▶ With aggregated models at a regional level (see advanced module “Regional model”)



Next lessons :

- Assessing different options for pesticide reduction
- Assessing dairy quotas