



## Agricultural and Food Policy (M3122)

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### Review and Discussion Questions

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1. What is Agricultural and Food Policy?
2. Which factors influence one's policy position. Explain briefly.
3. We examined four problems that are generally seen as the major food and agricultural problems of today. Please describe and briefly explain each of the problems.
4. A-F Policy changes steadily over time. What are today's major forces for policy change. Explain each force briefly.
5. The farm problem is generally identified with both "the *low earnings of most farm people* and the *great instability of income from farming*". Please explain and discuss the farm problem from an economic perspective. In your answer you should especially address:
  - Why supply and demand are inelastic and what the consequences of the inelasticity are.
  - The theory of asset fixity.
  - Finally discuss briefly if the farm problem still exists for farms in developed countries.
6. Explain the concept of resource scarcity.
7. Name and briefly explain the various types of market failure.
8. What is the "free-rider" problem? When does it arise?
9. Use a graph to explain the effect of a negative or positive externality on the efficient level of production.
10. a) What do economists use the concept of elasticity for?  
b) How is elasticity defined?  
c) Which factors influence the size of price elasticity?
11. a) What is welfare economics about?  
b) When do we call an allocation as Pareto optimal?  
c) Do you think that the assumptions of the Pareto approach are realistic?  
Discuss briefly.
12. What do we have to take into account when we analyse policy instruments, in respect to a) cost, b) equity, c) efficiency and d) welfare changes?



13. Consider a government introduces a fertilizer subsidy. Explain the major effects verbally and also by using a graph.
14. Consider a government introduces a *production* quota. Explain the major effects verbally and also by using a graph.
15. What is an import tariff? Explain the major effects of implementing an import tariff verbally and also by using a graph.
16. One of the most frequently occurring mistakes when evaluating international trade attributes to the confusion between comparative and absolute advantages. Please comment on this statement and describe both advantages. Which advantage determines trade?
17. What are the three pillars of the URAA. Explain briefly.
18. In WTO terminology, subsidies in general are identified by three boxes. Please explain them briefly.
19. Explain how the PSE concept measures agricultural support. What are the main differences between the PSE of the OECD and the AMS of the WTO?
20. Suppose a government wants to implement a new policy instrument. Which four “rules of thumb” should be considered to minimize distributional effects on markets?
21. What do we understand of income transfer efficiency of farm support? Why might there be efficiency losses? Please explain.
22. Which general and specific criteria should decoupled income support meet in order to be included into the “Green Box”?
23. Through which mechanisms/effects do policies affect production and trade? Please explain.
24. According to the policy effects of decoupling, which approach did we examine? Please explain.
25. According to the policy design, what seems to be the most important criterion for a meaningful design of direct income payments? Please explain.
26. The government of a country wants to significantly reduce its instruments for market price support. In order to facilitate the adjustment process of the farmers to the policy reform, the government decides to introduce compensation payments to the affected farmers.
  - a) Explain why in this context a production unrelated design of direct income payments might be justified and desirable.
  - b) Please summarize and briefly explain the characteristics of such payments.
27. A government wants to use a direct income payment to pay farmers for the provision of an environmental service. Explain briefly the characteristics of such a payment.



28. What is development? Explain briefly the characteristics of development problems in developing countries.
29. Discuss what you think is more important for development: political, economic or social development. Please explain your opinion.
30. Discuss briefly the issues of food security in the context of development.
31. Explain the concept of the Rural Regional Development Strategy. What are the objectives and areas of intervention.
32. What is meant by the expression “from neglect to respect” in the context of the role of agriculture in the development process. Please discuss briefly.
33. Explain briefly the four major origins of resource policy.
34. a) What is meant by non-market value?  
b) Explain briefly the primary sources of non-market values.  
b) Explain briefly 3 techniques that can be used to determine non-market values.
35. What is the “Polluter-Pays-Principle”? Please explain.
36. Explain the allocation of environmental costs and benefits. Which role does the level of good farming practice play as a reference level to allocate environmental costs and benefits?
37. a) Discuss whether, and under what conditions, environmental policy initiatives and a liberal agricultural trade regime are compatible.  
b) Discuss if WTO trade rules need to be modified to give greater priority to environmental concerns?
38. What are the most important risks and crises in agriculture?
39. Broadly classified there are two different approaches for farmers to influence the risk that is associated with their operations. Please name and briefly explain them.
40. What is the economic rationale for government intervention in the context of risk sharing in agriculture. Please explain briefly.
41. Name and briefly explain the four guidelines we examined to reduce economic distorting effects of government-run insurance and safety-net schemes.
42. Briefly explain the general complications of government-run insurance and safety-net schemes.
43. Name, explain and discuss briefly the major alternatives to government-run insurance and safety-net schemes.



44. a) Explain the meaning of path dependencies in the context of agricultural policies.  
b) Why tend policies to be self-reinforcing?
45. Briefly explain the three critical policy dependencies.
46. What are Policy Paradigms?
47. Explain the four Agricultural Policy Paradigms we examined in the lecture (note: for the exam you should be able to highlight the main differences between the paradigms).
48. Discuss briefly the links between paradigm shifts and the trade rules.
49. Briefly discuss the implications of 'agflation', i.e. the relationship between rising food prices and the demand for food and biofuels etc. (note: in the discussion you should explain why we have 'agflation', point out which coherences exist and highlight some pros and cons).
50. Considering our "WTO Ministerial Conference in Hohenheim", why is it so difficult to reach an agreement that suits all parties? Please discuss, what you think are the most important issues, that must be addressed to make an agreement feasible. Please explain.