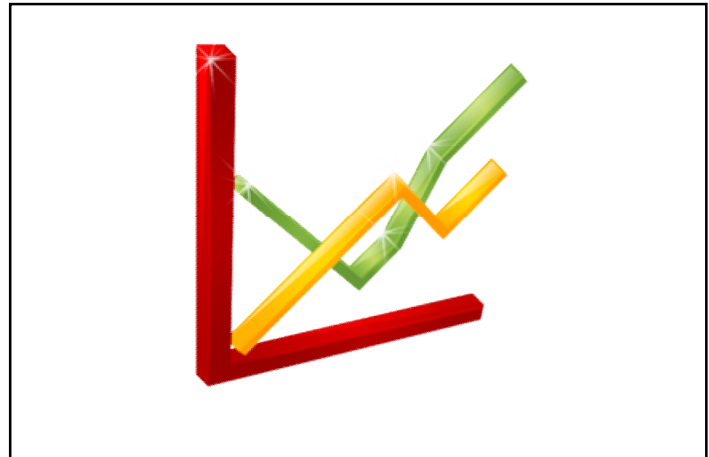


Project number: 5525
Funding source: Teagasc

Date: December, 2010
Project dates: Jan 2006 – Dec 2008

FAPRI policy modelling



Key external stakeholders:

Policy makers, farm and food industry representative organisations

Practical implications for stakeholders:

This project examined the impact of a number of policy issues that are of critical interest to the agri-food sector, including milk quota elimination and reform to international trade policy (World Trade Organisation through a conclusion of the WTO Doha Round negotiations).

Main results:

- This study used an economic model of Irish agriculture to assess major policy issues of concern to the sector, namely, international trade liberalisation and the elimination of the EU milk quota regime.
- With respect to milk quota liberalisation, the study found that the removal of milk quotas would lead to an increase in milk production and an agricultural income in Ireland.
- With respect to international trade liberalisation, the study quantified the impact which a significant reduction in import tariffs would have on Irish and EU agriculture. It was found that the beef sector in particular was vulnerable to a major liberalisation in trade via import tariff reductions.

Opportunity/Benefit:

The results of this study assist policy makers and other stakeholders in the sector in adopting policy positions which are of benefit to Ireland and the EU.

Collaborating Institutions:

FAPRI - University of Missouri

Teagasc project team: Trevor Donnellan (PI)
Kevin Hanrahan

External collaborators: Julian Binfield (FAPRI – University of Missouri)
Professor Patrick Westhoff (FAPRI – University of Missouri)

1. Project background:

This project used the FAPRI-Ireland Model to examine the impact that possible changes in policy could have on agricultural incomes over a ten year time horizon.

2. Questions addressed by the project:

The project specifically looked at two policy reform scenarios - the elimination of milk quotas and a WTO trade reform agreement as proposed in the so-called Falconer text.

3. The experimental studies:

The study used the FAPRI-Ireland model to examine the research questions detailed above. This model is a partial equilibrium, dynamic, multi-commodity model capable of producing supply and use-balance estimates including output, trade, domestic use stock and prices and which can also provide projections of the Economic Accounts for Ireland including agricultural income. These projections are produced over a ten year time horizon.

4. Main results:

The milk quota elimination study found that Irish milk production would increase in the absence of milk quotas and that relative to the baseline that this reform of the Common Agricultural Policy (CAP) would add 6 per cent to the overall value of agricultural sector income.

Under the WTO reform scenario the results indicate that a 70 per cent reduction in import tariffs and the elimination of EU export subsidies would reduce agricultural sector income in Ireland by €320 million per annum, with the main impact falling on the beef sector. The reforms of trade distorting domestic support is not found to have a major impact on Irish or EU agriculture given that most direct income support payments under the CAP are decoupled from production.

5. Dissemination:

The primary stakeholders for this research are the policy making community and research peers.

The results of the project have been presented at a seminar in Dublin and the wider academic and policy making community.

Main publications:

Two main publications arose from the project in the form of National Reports which were published in conjunction with the FAPRI-Ireland Baseline in 2007 and in 2008.

Binfield, J., Donnellan, T., Hanrahan, K. Westhoff, P. 2008. "FAPRI-Ireland 2008 WTO Reform Analysis: Potential Impact on EU and Irish Agriculture" in Outlook 2008: Medium Term Analysis for the Agri-Food Sector, Teagasc, Ireland. August 2008.

These studies are available from the publications section of the FAPRI-Ireland website www.tnet.teagasc.ie/fapri.

Binfield, J., Donnellan, T., Hanrahan, K., Westhoff, P. 2006. "World Trade Reform: Possible Impact of the Doha Round on EU and Irish Agriculture", in *World Agricultural Trade Reform and the WTO Trade Round: Analysis of the Impact on EU and Irish Agriculture*. March 2006. Teagasc, Ireland.

In addition, a paper on milk quota elimination was presented at the EAEE Seminar in Seville in 2008 and was subsequently selected for publication.

Binfield, J., Donnellan, T., Hanrahan, K. 2008. "An Examination of Milk Quota expansion at EU member State Level with specific emphasis on Ireland." Published in *Modelling Agricultural and Rural Development Policies - Selected Papers from the 107th Seminar of the European Association of Agricultural Economists*, edited by Lubica Bartova, Robert M'barek and Tomas Ratinger. Luxembourg: Office for Official Publications of the European Communities. ISBN: 978-92-79-08068-5.

6. Compiled by: Trevor Donnellan
