

AGEC 410 – Agricultural and Food Policy

11 – Resource Policy

During 1970s resource issues emerged onto the policy agenda

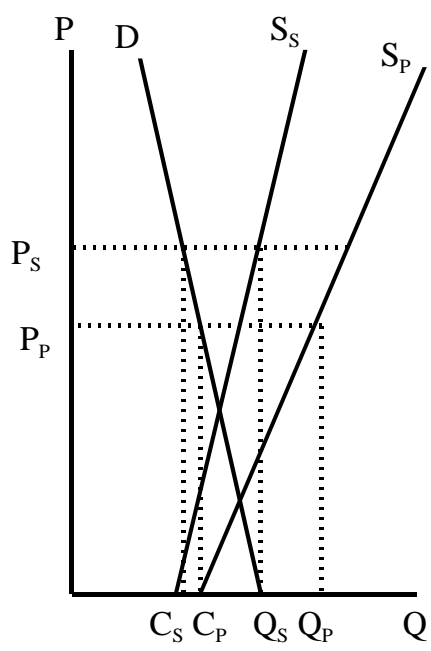
Key concepts:

1. Private goods vs public goods

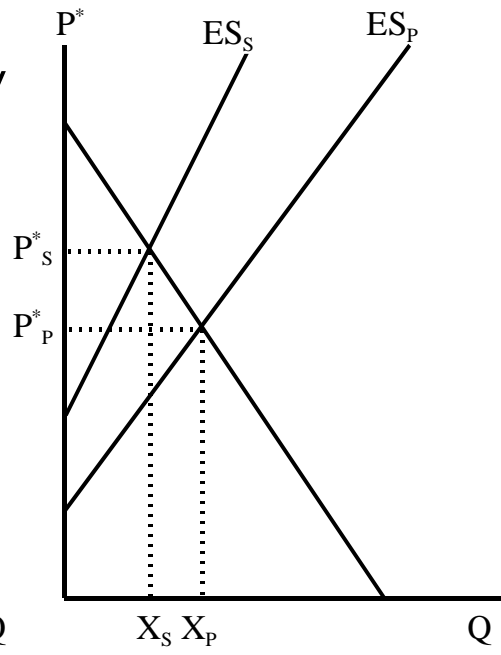
Goods have different attributes

Private goods tradeable in markets, public goods not

2. Private costs vs social costs (Externalities)



United States



World Market

3. Renewable and nonrenewable resources

4. Valuation

a. market value

b. Nonmarket values may exist for non-market goods:

1. types

a. current use value

b. option value

c. existence value

2. techniques to measure non-market good values (but what are we measuring?)

1. Hedonic property value

2. Replacement cost

3. Price of substitutes

4. Travel cost

5. Contingent valuation

Basic Questions in resource policy

1. What is valued and by whom?
2. How and how much to provide?

Main Issues for Agriculture:

1. Soil conservation
2. Water supply
3. Water quality
4. Wetlands
5. Endangered Species
6. Farmland Retention/preservation
7. Transnational resource issues

1. Soil Conservation:

Historically reducing soil erosion the goal

Used:

a. Green payments

b. Retirement of erosive land

c. Regulation and threat

2. Water Supply:

Not a big issue in midwest or east, in west a huge issue

Agriculture largest user of water

limited ability to compete for water

common pool resource and water rights

A Common Pool resource is a resource where multiple users are simultaneously using the resource so an action by one affects the others

Main issues:

1. Water rights doctrines differ by ground and surface and by state

a. Surface allocated via riparian doctrine

b. Groundwater absolute ownership

c. Access rules differ by state.

2. Water Development:

US Government took active role

dams, dredging, straightening, levees

locks on the Mississippi are in OCED's ag
producer support measures

Objectives of Govt

increase supply

recreational opportunities

economic development

power

flood control

Agencies

Little new construction, now undoing old work

3. Water pricing, sale of rights:
water often priced below marginal value

Price based on scarcity?

Should water rights be for sale?

Use or Lose

3. Water Quality:

1972 Clean Water Act – no acceptable pollution

Issues:

Is cost of investments to improving quality worth benefits?

How much should pollution control be extended beyond point sources?

Compensation for costs of quality?

How to achieve?

1. Free market

2. Input taxes

3. Performance standards

4. Proscribed practices

5. Consensus

4. Wetlands:

What is a wetland?

Programs

Swampbuster rules, the threat

Wetlands Reserve Program (WRP),
paid inducement

What are we trying to achieve and how?

5. Endangered Species:

Endangered Species Act preserves endangered and threatened species and ecosystems

Key questions

Have a zero tolerance.

Should species and ecosystems be valued?

If can value to what extent should valuation techniques shape decisions?

6. Farmland Preservation:

U.S. losing farmland. To what extent is that a problem?

Year	Land in Farms – mil ac –	Cropland
1900	838.6	283.2
1945	1141.6	352.9
1998	953.8	329.3

Options:

Farmland Protection Policy Act, 1981

Zoning laws

Purchase of Development rights

NRCS preservation program

Right-to-farm laws

Preferential Assessment

Designated Ag district

7. transnational externality

requires international cooperation

Global Warming:

Mexico and blue dye

local but international

8. Ethanol/Bio-Diesel: The Good, the bad, the ugly

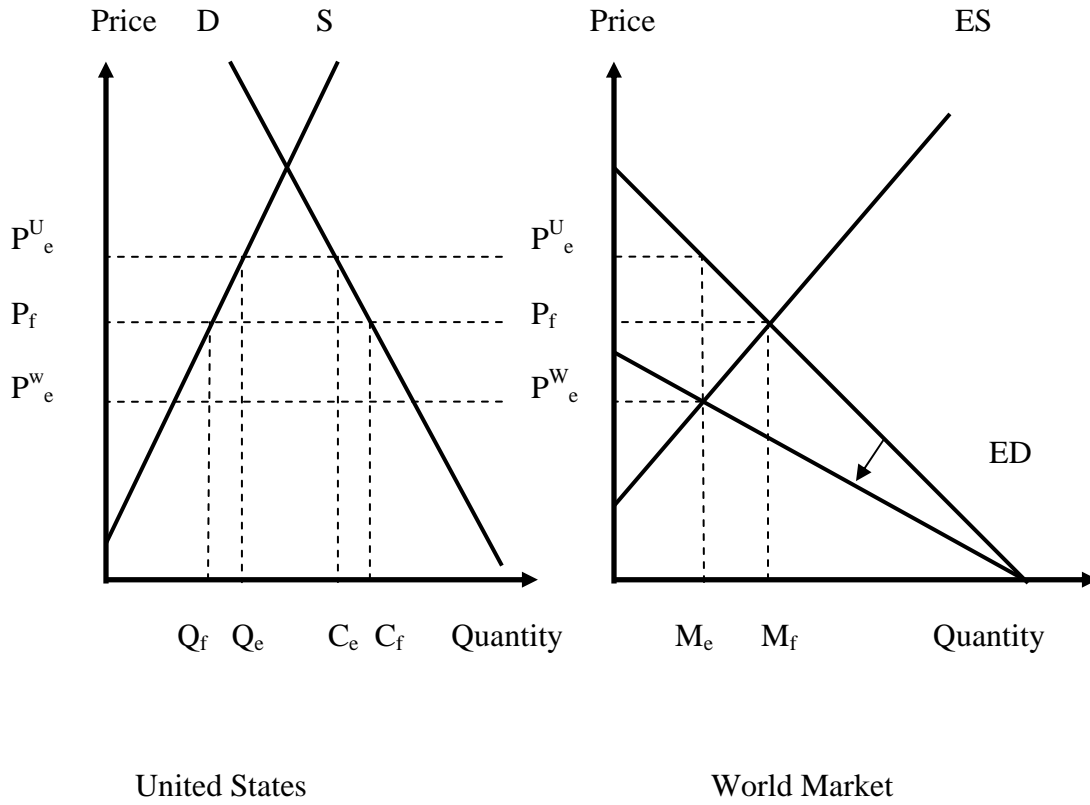
Issue: U.S. dependency on imported petroleum

Question: How to reduce?

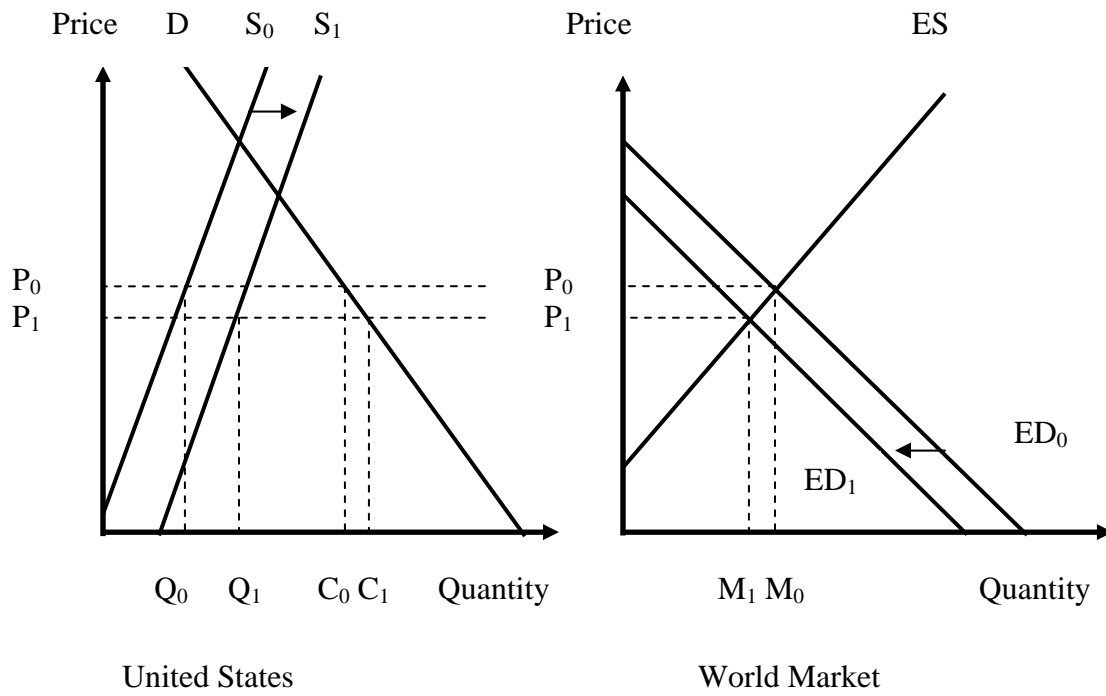
Currently ethanol receives

Implications

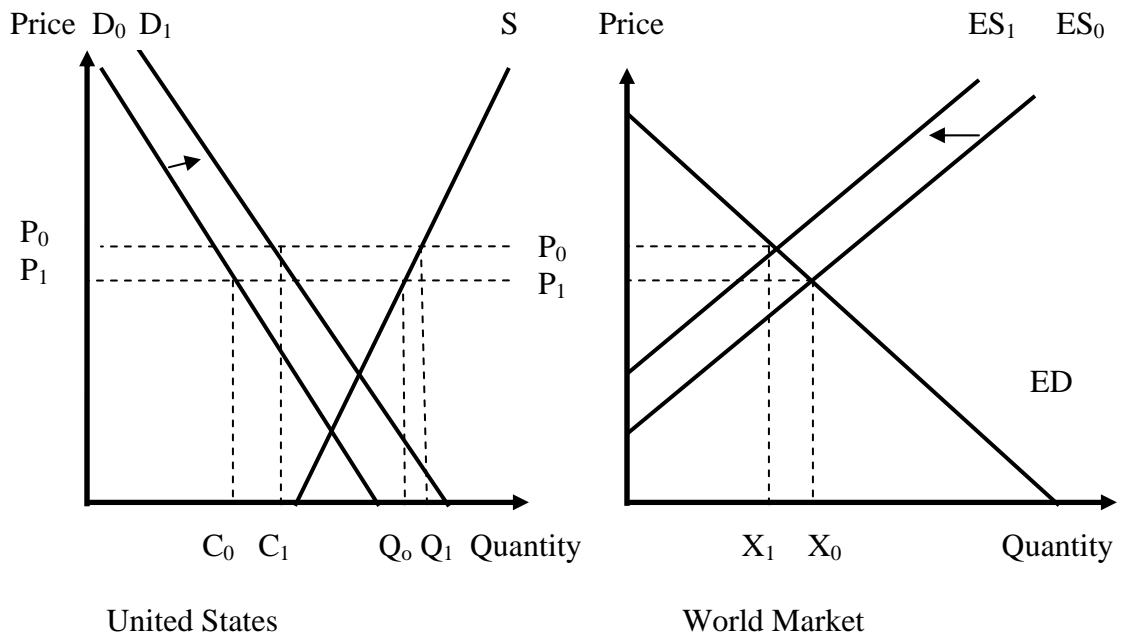
Tariff on Ethanol



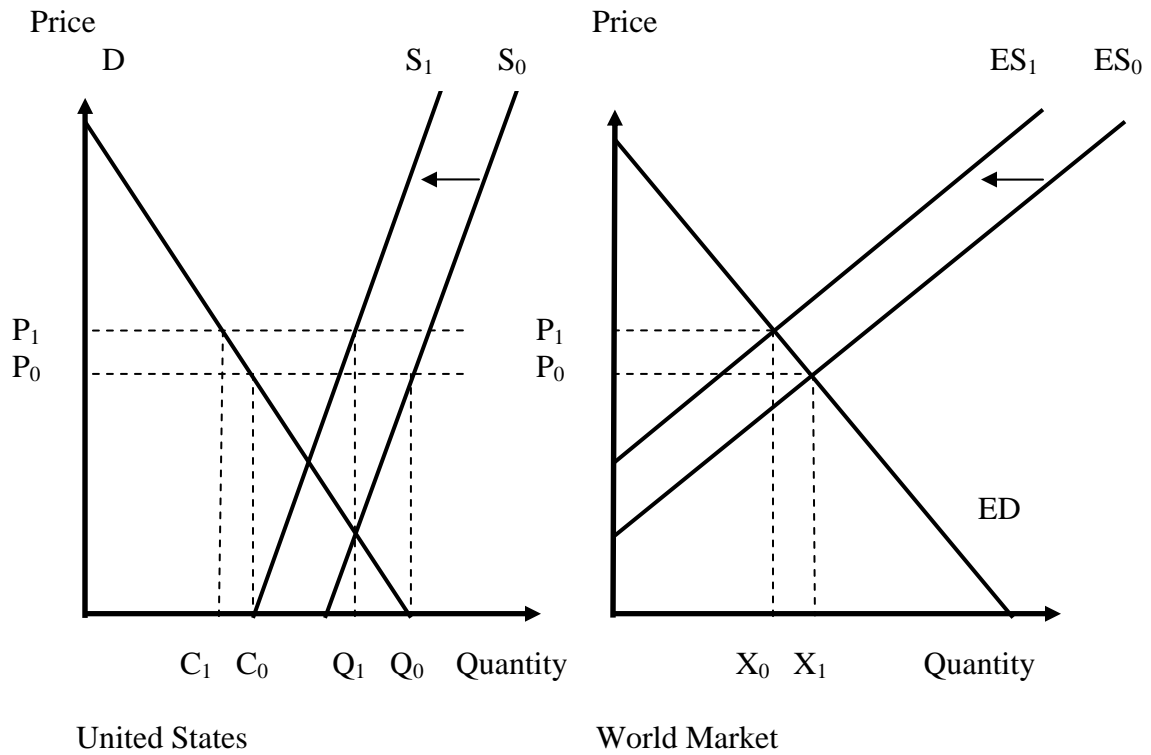
Subsidy on the Ethanol Market



Impact on the Corn Market



Impact on Meats, Bakery Goods, etc



How would Soy Diesel be different?