

## Introduction to policy study on agriculture

The Final Workshop  
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Development in the Context of Economic Integration  
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Research on Innovative and Strategic Policy Options Second Phase (RISPO-II)  
*Agriculture*



### Impacts of the economic integration in the sector

- Agricultural markets are still protected even though a considerable volume of agricultural goods are traded.
- Economic integration will open the agricultural markets (assumption of the study) and also increase demand for agricultural products.



- To meet such an increased demand, agricultural production will increase with available technologies, most likely via extension of intense conventional agriculture.



- Expansion of intense conventional agriculture will cause serious environmental impacts (land degradation, water pollution, etc.)
- It will also have impacts on national agenda such as food security, rural poverty, and health.

## Organic agriculture as a potential policy option

- Potential of the organic agriculture (and low-chemical input agriculture) has been recognized, yet currently the scale of organic agriculture is still small.



- However, organic markets are rapidly expanding.
- While trade liberalization will expand intense conventional agriculture, it can also promote the organic products trade, which brings about positive impacts to the environment (and possibly more).



- Organic agriculture can be promoted by market-based instrument (eco-labeling), combined with command&control type measures (conventional measures).
- Market-based instrument is considered more cost-effective and more feasible.

## Need for policy packages for organic agriculture

Therefore, policy packages are needed to make the benefits of organic agriculture effectively realized in the context trade liberalization.

## Central research question

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What kind of policy mix/ policy package are expected to be effective to reduce negative environmental impacts from the agriculture sector and poverty in the context of regional economic integration

- National policies
- Regional policy coordination

## Pros of organic agriculture

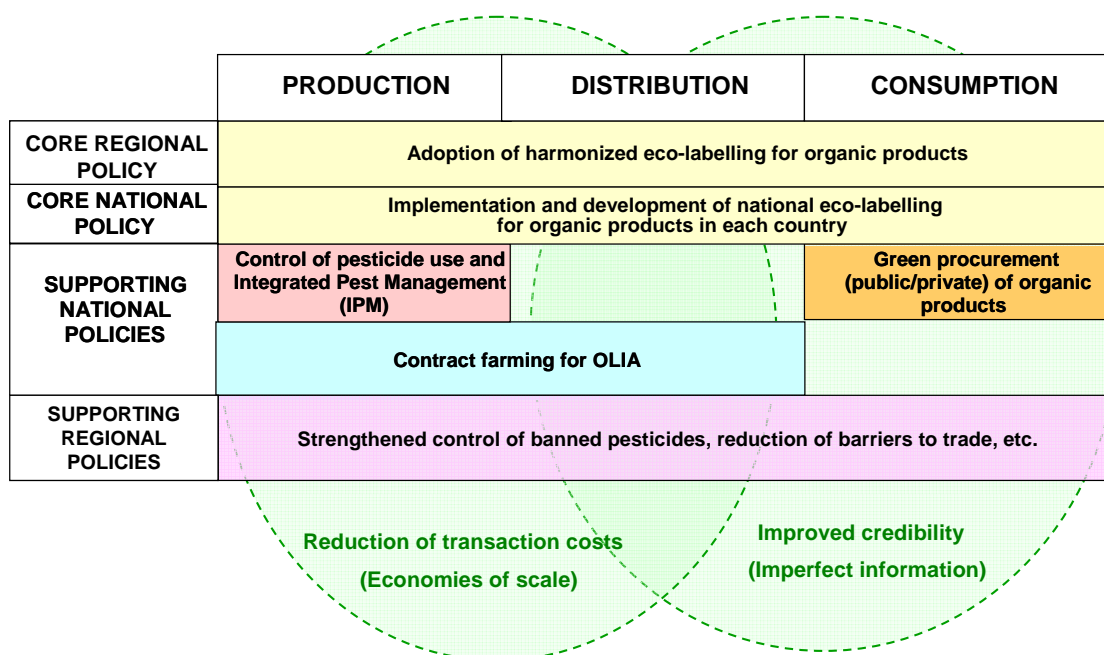
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- Can reduce negative environmental impacts
- Can reduce poverty, health risks
- Can be promoted by a market-based instrument (eco-labeling)
  - Cost-effective
  - More feasible (relatively easier to implement)
- Can be used as a countermeasure of trade liberalization
  - Opportunities for both developing and developed countries (product differentiation, product diversification)
- Clean production
  - Cost-effective upstream measure
- Rapidly growing industry
  - Rising concerns of food safety

## Cons of organic agriculture

- High transaction costs
  - Small and immature industry
  - Technical difficulties (low-chemical input agriculture as an alternative)
  - High costs of certification process, incompatibility of existing labels
- Low credibility of products
  - Low institutional capacity to guarantee the quality of products
  - Low awareness and understanding towards the products
- Varied benefits and interests by varied stakeholders
  - Environmental benefits may not be so acknowledged
  - Widening gaps between producers in developing countries and consumers in developed countries
- Organic agriculture cannot deal with the problems single-handedly

## Overall policy package proposed



## National and regional studies

From the regional perspectives, the overall benefits are generally expected (regional study).

However, circumstances in Asian countries vary greatly.

- National agenda, priority issues
- Food import balance
- State of environment

Therefore, national studies are needed to propose policy options suitable for their countries

## National study focus

Case study country	Focus/ interests in the promotion of organic or low-chemical input agriculture
China	<ul style="list-style-type: none"> <li>- Importance of rice production</li> <li>- Governance issues with the aim of improving credibility in organic agriculture</li> </ul>
Indonesia	<ul style="list-style-type: none"> <li>- Food security, poverty</li> <li>- New comer in organic agriculture</li> <li>- Potential of organic rice production in the short- and long-run</li> </ul>
Korea	<ul style="list-style-type: none"> <li>- Food importer</li> <li>- Already implementing an advanced organic promotion policy</li> <li>- Organic agriculture as a trade countermeasure</li> </ul>
Thailand	<ul style="list-style-type: none"> <li>- Food exporter</li> <li>- Organic agriculture for both domestic and international markets</li> <li>- Coordination with chemical management</li> </ul>

## General components of national studies

- *What is the current status of agriculture sector?*
- *What are the probable impacts of trade liberalization in the agriculture sector?*
- *What kind policies are already in place and what are the policy gaps?*

**(FY2007)**

- **What kind of policy options are proposed?**
- **How effective will they likely be?**
- **Summary of the findings**
- **Future research need**

