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MEASURING ECONOMIC IMPACTS OF CANADIAN PRODUCER-FUNDED R&D

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The dramatically increased worldwide demand for agricultural commodities indicates food supply must increase significantly over the next 35 years. To allow demand and supply to come into balance at a price that is affordable, a substantial increase in agricultural productivity is required. However, productivity growth has significantly slowed around the world since 1990 (Alston, Beddow, and Pardey [2009]). One important factor causing slower productivity growth is reduced investments in agricultural research and development (R&D). Despite the high rates of return, governments are reducing their investments in public R&D.

One of the suggested policy responses to this funding reduction is greater R&D investment by farmers. A key factor in the efficiency of producer-funded R&D programs is the extent to which the funders of the research capture the benefits in proportion with the costs they undertake.

This study empirically estimates who wins and who loses from Canadian producer-funded R&D by constructing a multi-region, multi-product partial equilibrium model of the global pulse industry. The results indicate that Canadian pulse growers are the largest beneficiaries from the research they conduct, and that the rate of return to producers is significant. From a policy perspective, the results of this paper suggest that the resistance to producer-funded R&D comes not from the real benefits and costs that it generates but rather from the manner in which such R&D activity has been framed in the public debate.