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THE EPR SYSTEMS IMPACT ON WHEAT VARIETY ADOPTION

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Underinvestment in research for wheat and other crops where IPR are weak is an issue for policymakers that has provoked economists to study various funding sources and mechanisms for increasing level of investment in agricultural R&D (Alston et. al., 2010). Consequently the international interest in End Point Royalties (EPR), a strong form of IPR has increased. Two examples of well-developed but different from one another EPR systems exist in the Australian and French wheat markets. In Australia, EPRs for each variety are set by owners, whereas in France a uniform EPR rate is set by agreement between farm and breeding organizations. As other countries consider EPR systems, the economic impact of these systems may be a consideration in their design.

The objective of this study is to compare welfare impacts of varying and uniform EPR systems, which entails considering how variety adoption patterns, aggregate production and breeder revenues are impacted. Since these impacts will be influenced by the producer adoption and response patterns, the study begins by empirically examining the impact of variable EPRs on the adoption of wheat varieties in Western Australia. The dependent variable, wheat variety adoption expressed as a fraction of total area seeded by wheat in Western Australia, is modeled as a function of EPR rates and a number of characteristics of wheat. A uniform EPR rate is used as a counterfactual to compare impacts of those two EPR systems. The analytical results show that uniform EPR pricing speeds up adoption and increases total welfare. Breeders' revenue is higher with varying EPR rates.