

## CAFIO-PRG Develops Novel Approach to Policy Research

The University of Nebraska-Lincoln has received a grant from the U.S. Department of Agriculture under the Policy Research Centers Program. This grant has supported the establishment of a Policy Research Group (PRG) as part of the Center for Agricultural & Food Industrial Organization (CAFIO) in the Department of Agricultural Economics. CAFIO-PRG is led by the Project Director, Professor Konstantinos Giannakas, and its main focus is on the development of a novel, empirically relevant, integrated, multi-market framework of policy analysis.

### ***Novelty, Relevance & Significance***

CAFIO-PRG explicitly considers *agent heterogeneity* in policy research, a significant departure from the “representative consumer” and “representative producer” that have been the foundation of most of the literature on policy analysis. Indeed, through its reliance on the conventional models of representative consumers and producers, traditional agricultural policy analysis has (implicitly or explicitly) assumed a homogeneous response to, and impacts from, various policies affecting the agri-food marketing system.

Self-evidently, both consumers and producers are highly heterogeneous groups and this heterogeneity is expressed through highly diverse demands for, and supplies of products, programs, services, and policies. In this context, the focus on representative consumers and/or producers inhibits both the determination of the effects of different policies on different consumer and producer groups as well as the understanding of the widely different positions held by seemingly similar groups in policy negotiations.

In addition to enhancing the empirical relevance of policy analysis by allowing the research to account for key elements of the increasingly industrialized agri-food system, the explicit consideration of consumer and producer heterogeneity will enable the analysis to disaggregate these interest groups and *determine the effects of different policies on different consumers and producers* (e.g., consumers of different products, low- vs high-income consumers, more- vs less-efficient producers, etc.). *Better measures (and understanding) of the effects of a policy can lead to improved policy design, enhanced efficiency, increased effectiveness, and reduced policy failures.*

### ***Policy Issues***

CAFIO-PRG is using this new framework to analyze important policy issues including:

- (1) the market potential and optimal regulatory response to food nanotechnology,
- (2) producer behavior and design of policies related to downstream water pollution issues,
- (3) least-cost policies to facilitate commercialization of biomass crops for energy,
- (4) the impact of agricultural policies on entrepreneurship and rural development, and
- (5) producer response to various risk management policies.

### ***Behavioral & Experimental Economics Central***

In addition to the development and application of the new framework of policy analysis, a key component of CAFIO-PRG research is the extensive utilization of behavioral and experimental economic methods in policy analysis and policy design.

### ***Multidisciplinary Team***

CAFIO-PRG includes faculty from the Department of Agricultural Economics (7), the School of Natural Resources (2), the Department of Economics (2), and the Office of Research and Economic Development (1), and will lead a consortium of five other UNL Centers that will provide input to this project. The breadth and depth of this group’s expertise creates exciting possibilities on the potential synergies that this endeavor can facilitate and uniquely positions the team to effectively address important, current and forthcoming, policy issues.

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