

**Australian APEC Study Centre Training Program  
24 October to 3 November 2006**

**Policy Reform and Structural Adjustment in Agriculture:  
Economic Change in the Sugar Industry**

***Pre-Course Preparation and Participant Contributions***

The following notes have been provided to help you prepare for the training course. It contains information on what you need to do as pre-course preparation. It also provides an explanation of the activities you will be required to complete during the course. You should read these notes carefully and complete the pre-course preparation task.

The benefits of the training course will be greater if you spend some time thinking about structural adjustment and policy reform from your own perspective. You need to be able to describe issues that concern you from past experiences and observations in managing structural adjustment. Some pre-course background reading would be beneficial.

***The focus of the training program***

The primary focus of the training program is how to manage structural adjustment issues in agricultural industries. Policy advisers are often asked what can be done to address the economic and social dimensions of the pressures for structural change. It is often difficult to know what to do in these situations especially in developing countries.

Structural adjustment is often associated with policy reform. The pressures for adjustment can be created by a change in policy. They can also be a catalyst for policy change. The course content is applicable to the general issue of adjusting to economic change. But it is primarily focused on the question of industry specific adjustment pressures associated with changes in government policies.

Trade related policy reform is an important issue for ASEAN countries in the context of international trade agreements. These agreements generally have commitments such as changes in border protection or changes in domestic support programs and regulatory conditions. Policy reform can also involve unilateral change driven by domestic issues. A change in market conditions could require a change in existing policy arrangements.

Concerns about the economic and social effects of structural adjustment often generate political pressures for the government to intervene. This could involve a request for assistance. The development of a policy response often revolves around three questions:

- can the industry cope with the change in economic circumstances?
- is some form of short term transitional assistance required?

- what are the costs of providing longer term assistance?

The course will cover the economic principles that can be used to guide the development of policy responses associated with structural adjustment pressures. These principles can be applied to any agricultural industries facing pressures from policy reform or a change in market conditions.

Course content and participant contributions will have a focus on policy change and adjustment in the sugar industry. Application of training material to an industry situation should improve your understanding of the content of the core sessions. Sugar is used as a demonstration industry because it is common to all countries attending the course.

The course will look at recent experiences in the Australian and Vietnam sugar industries. But a number of sessions will cover more general issues and look at other experiences in policy reform and structural adjustment.

### *Pre-course preparation*

It is important to maximize the value of the training exercises as teaching tools. The exercises should apply material presented in the core sessions to circumstances that are relevant in your own country. This will require you to provide some information on the adjustment issues that you believe are relevant.

At the first participant session (day one) you will be asked to give a short presentation. The collective aim of the presentations is to gain a set of initial perspectives on issues associated with structural adjustment and policy change in home country situations. You will need to prepare a written contribution that covers two areas:

- the sugar industry situation in your country in terms of policy change, adjustment pressures and programs to facilitate change; and
- a more general perspective on policy change and adjustment pressures in other agricultural industries.

This will require a 1-2 page word document. It will also require some power point slides for your presentation (limit of 5 slides). **Both files should be emailed to the Course Coordinator at the APEC Study Centre before the course commences.** The word documents must be available for distribution to the class on day one:

- the word document can be prepared in dot-dash format but it must have sufficient detail for readers to understand the points you raise;
- power point slides should summarise the main points in the document;

This is an important part of the pre-course preparation. Your contribution will form the basis of a practical exercise that will be completed during the course. You may need to do some research or discuss the content of your contribution with work colleagues.

The word document should set out the issues you think are relevant and any questions you would like to raise for discussion. Points you may wish to cover in your word document could include:

- cause or context of current industry adjustment issues – policy change, market conditions, physical environment, etc;
- nature of the adjustment issue – income losses, restricted diversification options, poverty, labour migration to jobs outside of agriculture, etc;
- constraints on producer adjustment responses;
- areas of future trade reform that could introduce adjustment pressures – WTO, regional trade agreements, FTAs.
- what sort of trade protection or domestic support does the industry receive;
- past experience with facilitating adjustment through government programs;
- social, economic concerns that need to be addressed.

### ***Participant activities during the course***

Participants in the training course will be required to complete two practical exercises. The aim of these requirements is to apply the material from the core sessions to practical issues in home country situations.

The participants from each country will form a training group. Work tasks will be divided among the members of the group. A group leader will be nominated to ensure the group completes the required exercises. The role of the leader is to lead the group response to the exercises and ensure the views of all group members are considered. The academic participants will be expected to fill this role if an alternative nominee is not provided.

Each group will collectively research, discuss and complete:

- a review of home country issues in adjustment and policy change;
- a case study of how to manage an industry adjustment issue;

### ***Exercise A – Review of home country issues in adjustment and policy change***

Each group will prepare a collective review of home country issues in adjustment and policy change. This will involve preparing a 2-3 page word document and power point slides (limit of 5 slides). Each group will present their findings to the class on day 6 of the course – Tuesday 31 Oct – and distribute their briefing paper.

The review will be based on the content of the documents and presentations from the first day of the course. But it will also require the group to consider:

- points raised during the discussion of these individual contributions;
- the content of contributions by participants from other countries; and
- material cover in subsequent sessions.

Groups will be expected to meet and work on this exercise at mutually agreeable times over the Saturday/Sunday or during the evening. If necessary some time will be set aside during the *Participant Session C* (day 5) to complete this task.

The exercise should be approached as a role play situation. The group has been asked by the Head of the Department of Agriculture to provide a briefing paper on current issues in adjustment and policy change in your country. He needs a briefing to assess what needs to be investigated for the preparation of future policy advice to the Minister.

The Minister is concerned about future industry adjustment issues that may emerge from a new WTO trade agreement and other areas of policy change. He wants to know where the pressure points are and what sort of assistance measures may be appropriate if the government decided to respond to any political concerns. The 2-3 page briefing paper will need to clearly state the nature of the adjustment issues and policy options.

The Course Coordinator will assist you with copying the briefing paper on the morning of the presentation (day 5). He will also assist with setting up the power point slides for the presentation. The briefing papers and power point presentations will be added to your course folders.

### ***Exercise B – A case study on adjustment and policy reform***

Each group will collectively prepare a case study on industry adjustment and policy reform based on a real situation in your home country. At the end of the course the group will be expected to provide a short briefing paper (5-10 pages) that summarises your case study. They will also develop a short power point presentation. On the final day of the course the group will make a short presentation (10 minutes) on the case study:

- the case study must include options/recommendations for a policy response to the industry adjustment issues (ie transitional assistance programs);
- an expert panel will react to the presentation – group members will be expected to react to questions raised by the panel and other class participants;
- the panel members have had considerable experience in dealing with issues of policy reform and adjustment.

The aim of the case study is to provide you with a self-prepared reference point that is relevant to your country. Groups will be expected to meet and work on this exercise at mutually agreeable times over the Saturday/Sunday or during the evening. If necessary some time will be set aside during the *Participant Session C* (day 5) to discuss any questions or issues associated with the group case studies.

Case studies of industry adjustment to policy change are a valuable teaching tool for the course. Some sessions are devoted to examples of how industry adjustment issues have been managed in real world situations. The group will be expected to apply the material presented in the core sessions in developing their policy advice.

Each group will need to select an agricultural industry for their case study. It should be an industry facing adjustment pressures caused by current or future policy change. Selecting a protected industry that is likely to be affected by requirements from the WTO trade negotiations would be the best option for the purposes of the course:

- the sugar industry would make the best case study given the content of the course – it is the recommended option;
- all participants should do some pre-course reading to familiarise themselves with the situation in their sugar industry;
- but the group may choose another industry provided it meets the criteria of facing current or future policy change.

The choice of the group case study will be finalised on the first day of the course. You are encouraged to contact the other participants from your country and discuss the options before the course commences. You will need to do some pre-course preparation for the case study. If the group can agree on the case study before the start of the course you can focus your preparation.

Alternatively you may wish to wait and choose the case study when the group meets at the start of the course. If you take this approach it will be important to undertake some preliminary research on the industry you will nominate. All participants must come to the course sufficiently prepared to complete an industry case study. You may wish to bring some reference material to help prepare a briefing paper:

- electronic files on a flash drive is the best way to bring any reference material to the course – you will have access to word processing facilities.

The case study exercise should be approached as a role play situation. The group will take on the role of a senior policy adviser responding to a request from the Minister. The group has to prepare a submission on the options for managing the adjustment pressures that are likely to arise from the policy change. The group presentation on the final day should be approached as briefing to the Minister.

The pre-course reading for the case study exercise will need to cover the various aspects of the policy development process. Some of the issues that may be relevant to your case industry study are set out below. You should do sufficient pre-course research to gain a reasonable understanding how these issues apply to your case study situation.

### **1. Structural features of the industry**

- industry structure – output level, employment level, prices, number of firms, etc
- product/market characteristics – is the output used an input by other industries?
- history of trade protection – tariffs, import quotas, export taxes, export subsidies, domestic price support policies, input subsidies, etc
- imports and/or exports – level of trade, market share, major competitors/markets

## 2. Industry development and structural change

- level of the assistance from trade policies and/or domestic support policies
- industry experience with structural change – industry expanding/contracting, employment and number of firms/farms increasing/decreasing, etc
- industry productivity changes
- evidence of industry structural change – what was the response?
- do consumers pay higher prices because of support policies?
- do support policies involve Government budget expenditures?

## 3. Policy change and industry adjustment pressures

- are market conditions affecting industry development – declining world prices, increased import competition, changes in domestic demand, etc
- policy based adjustments affecting industry development – tariff reductions, lower/higher input subsidies, etc
- pace of the actual/expected reform – what's the adjustment period
- actual/expected short and long term impacts of the policy change
- what interest groups affected by the policy change – producers, wholesalers, traders, retailers, input suppliers, consumers, distributors
- which interest groups need to be consulted in developing a policy response?

## 4. Managing industry adjustment pressures

- what is the policy development process – Government advisers, interest groups, research institutions, Government Departments/Ministries
- availability of independent research capacity to assess adjustment issues
- precedents for adjustment assistance to other industries – policy design, funding adjustment assistance, targeting adjustment assistance
- does the Government provide general safety-net adjustment assistance – unemployment benefits, retraining grants, etc
- alternative employment opportunities for displaced workers/farmers
- previous government programs to facilitate adjustment

A separate note on the content of the case study has been prepared. You should read this note to gain a better understanding of what will be required.

A recently published report, *Rural Industry Adjustment to Trade Related Policy Reform*, will be made available through the Australian APEC Study Centre web site. This report is focused on Australian experiences with industry adjustment to policy. It is a useful background document for the case study exercise and some of the material presented in the core sessions of the course.