

Quantifying the Impacts of Policies Supporting Value Addition in the Agricultural Sector

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Both authors served as researchers in the project during the period in which the research was conducted

ABSTRACTS

Thailand's agricultural sector plays a crucial role in the national economy by supplying food for both domestic consumption and global markets. The objective of this research is to quantify the ex-ante impacts of policies that support various forms of value addition, in order to provide information that can serve as a basis for evaluating the economy-wide implications of other agricultural policies of interest across key development dimensions, including economic growth, macroeconomic stability, employment, poverty reduction, income distribution, and environmental outcomes. The analytical tool employed is a Computable General Equilibrium (CGE) model integrated with a household microsimulation model. The research findings conclude that the impacts of policies supporting value addition in the agricultural sector as follows: 1) Value-addition policies generate positive impacts for the agricultural sector. However, value-addition measures that do not genuinely enhance the utility of the products for consumers tend to impose net economic losses at the aggregate level and contribute to higher inflation. 2) Policies related to the adjustment of household consumption patterns, especially in the case of turning to consume more agricultural products; the consumption intervention to encourage consumers to consume one particular product may improve the overall economy, but can reduce social welfare. In the case of turning to consume more agricultural products produced domestically, the impact is low or almost unchanged. and 3) Policies of export expansion generate positive impact to all development goals.

Keywords: value addition, agricultural sector, CGE model, household consumption, household microsimulation model