

**ERS 2001 EU Modeling Workshop**  
**New Challenges in Modeling EU Agriculture and Agricultural Policy**

**Final Session—Wrap up and Conclusions**  
**Friday, November 16, 2001**  
**3:15 PM- 4:30 PM**

At the end of the EU modeling workshop, David Abler gave a brief summary of some of the common themes discussed during the past two days, highlighting issues that merit further research and cooperation among EU modelers.

Overall, Mr. Abler thought the state of EU modeling is good. Most EU models complement each other well. Some models are focused on analyzing the effects of policies while others are focused more on structural, long run changes in the EU. There is also already good communication among modelers. Most modelers agree on the relevant policy issues facing the EU for the next few years especially during the upcoming WTO negotiations. However, there are six areas in which we could do a better job of improving the accuracy and efficiency of our models

- One of the areas that deserve more attention is the classification of EU domestic policies as either coupled or decoupled from production. Many of the same policies are treated differently among models (e.g. area payments) and the decision to treat a policy as either coupled or decoupled is usually arbitrary and not empirically based. More research is warranted to determine how “coupled” EU policies are and how they should be classified in our models.
- There also needs to be more agreement about the level of policy detail necessary for inclusion in our models. Many EU domestic policies are too complicated for our models to capture all their details but a sufficient amount of detail is necessary in order for the model to accurately measure the policies’ effects on agriculture. With some models (e.g. GTAP), it is hard to reconcile policy realities with how policies are represented. We also have to make sure that we include the relevant policies that may be subject to WTO negotiations such as export credit guarantees, AMTA payments, and “green box” payments.
- An area in which all our models could use improvement is the quality and maintenance of parameters. Our knowledge base for traditional issues is becoming old and narrow, while for new consumer issues there is virtually no knowledge base. New econometric work in determining parameters is needed but this won’t be a panacea. Sensitivity analyses are also a good way to find the correct parameters but the ultimate test will be whether our model projections agree with reality.
- Product quality differences for products such as beef, pork, wheat, and rice will become more significant as the market responds to new consumer issues. Since our models almost always assume homogenous products, we will have to determine how this affects our results and perhaps do a better job at capturing differences in product quality.

- EU enlargement to the CEE countries will require more and better parameters and assumptions for our models. We will need to make more labor market assumptions on how will EU labor markets adjust and how fast will they adjust in response to enlargement. We will also need to examine the compliance costs to CEE countries for adhering to EU regulations and the length and conditions of the transition period for enlargement. And, finally, we must account for how “coupled” are existing CEE policies and for significant quality differences between CEE and EU products.
- Consumer demand is fast becoming an important research topic but our ability to conduct empirical research is limited by the data. Therefore, we will need to choose an appropriate modeling approach to the issue of consumer demand. New survey research will be needed as well as continuing our work on improving conceptual and empirical techniques. We should also research other sectors where products are differentiated to gain new insights.