Ensuring farm minimum prices: Economic impacts of trade vs competition policies

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Résumé

French and European farmers vigorously protest in early 2024 against perceived poor economic conditions, increased paperwork burden as well as stringent environmental constraints. The initial policy responses by both national and EU authorities failed to completely calm them, leading the French president Emmanuel Macron to surprisingly propose minimum farm prices. This paper develops an original computable general equilibrium model framework to assess two policy options to reach these minimum prices for livestock industries. The first relies on trade policy instruments and the second on a new competition policy with price discrimination and motivated by the Egalim laws. We find that the first option is unlikely to support French and European farm and food incomes, particularly if third countries reply with similar trade instruments. By contrast, the price discrimination option can support farm incomes, but partly at the expense of the domestic consumption of livestock products.

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