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The Future of Michigan Agriculture Environmental Assurance Program (MAEAP)

A teaching case study

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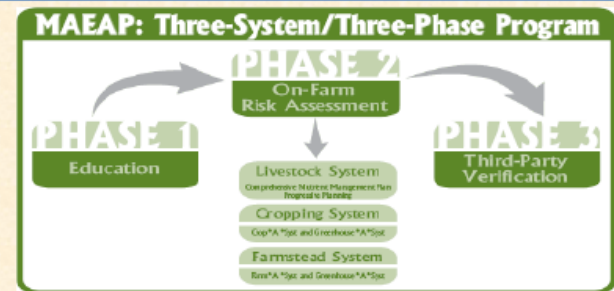
LEARNING OBJECTIVES

During the case discussion students should be able to:

1. Identify and model various motivations for participation in voluntary environmental programs.
2. Recognize motivational conflicts among various participants/stakeholders.
3. Appreciate the political economy of self-regulation.
4. Analyze design tradeoffs in VEPs.
5. Analyze implications of VEP evolution.
6. Analyze the role of VEPs in environmental labeling & green marketing

Evolution of Michigan Agriculture Environmental Assurance Program (MAEAP)

1997	2000	2007	2012
<ul style="list-style-type: none"> • Pollution Prevention strategy for MI agriculture launched • Voluntary approach • Focus on education, GAAMPs • Multi-stakeholder consortium (MDARD, DEQ, MSU, commodity groups, environmental groups) to develop processes & practices 	<ul style="list-style-type: none"> • ECOS agreement signed with USEPA • Allowed CAFOs to get MAEAP certification in lieu of NPDES permits • Many environmental stakeholders left consortium 	<ul style="list-style-type: none"> • ECOS agreement concluded • Large CAFOs required to have NPDES permits • Loss of regulatory preemption motivation 	<ul style="list-style-type: none"> • MAEAP became a program under MI Dept. of Agriculture • Kroger's and many others sought to use MAEAP verification logo in products



Discussion questions

1. Why would farmers be interested in participating in a voluntary environmental program like MAEAP?
2. Why would other stakeholders be interested in MAEAP?
3. How would/should programs like MAEAP be funded?
4. How do you anticipate MAEAP participants would be perceived by different stakeholders and why? What are some strategic implications of these perceptions?
5. Given the history, what options does the protagonist have regarding the future direction of MAEAP? How do you evaluate these options?
6. How would you modify/redesign MAEAP and implement your recommended option?

Analysis

Farmer Motivations for VEP Participation (Economic models from literature)

- a. Reducing compliance costs and environmental liabilities
- b. Regulatory preemption
- c. Market segmentation and product differentiation
- d. Club goods
- e. Signaling to regulators/environmental groups

Motivations of other stakeholders in supporting VEPs

- a. Regulatory agencies (DEQ/EPA): Minimize monitoring /enforcement costs
- b. MI Department of Agriculture & Rural Development (MDARD): Improve producer margins
- c. Environmental Groups: Improved environmental performance, lower organizing costs
- d. Retailers: Reduce supplier monitoring costs, increase margins, risk transfer

Signaling games, potential equilibriums and facilitating conditions

Asymmetric information games between Farmers (Types with varying environmental responsibility) and Stakeholders (with varying penalty/reward options) and potential equilibrium outcomes include

- i. All farmers seek MAEAP certification regardless of type
- ii. No farmers seek MAEAP certification regardless of type
- iii. Only High responsible type farmers seek MAEAP certification and stakeholders respond accordingly (**Differentiation scenario**)
- iv. Only Less responsible type farmer seek MAEAP certification and stakeholders respond accordingly (**Regulatory preemption scenario**)

Motivational, perceptual and design conflicts

MI Department of Environmental Quality, Environmental Groups with **Regulatory Preemption lens**



MAEAP



MI Department of Agriculture & Rural Development, and Farm Bureau with **Differentiation lens**