



Analysis of farmers reaction to policy of promoting organic farms in Netherlands using probit model

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In this paper it is analyze the factors that affect whether a subsidy is required to motivate organic conversion. The unknown parameters of switching .type Probit model are estimated by maximum likelihood estimation. The maximized values of the uncertain revenue streams are simulated. Significant factors in organic conversion without subsidies are greater livestock diversity and more sales outlets. Farmers requiring subsidies manage larger farms, are more concerned with organic inspection quality and adequacy of technical advice, and reside in areas with more organic farms. Results suggest that a subsidy induce mainly those already inclined toward organic agriculture to convert. The results suggest that decreasing output prices and increasing direct subsidies trigger the switch to organic farming. Intensive livestock production and labor-intensive production decrease the probability of switching to organic farming.