Policy Questions
1. How profitable are agroforestry and other major land use systems in ASB benchmark areas from a private perspective?
2. What is the social profitability of these systems?
3. What causes differences between private profitability (financial incentives to invest) and social profitability (comparative advantage) of these systems?
4. How do the major land use systems differ regarding labor requirements and contribution to household food security?

Private profitability measures the incentives for production and investment given current technologies, prices, institutions, and policies. Private prices are the actual prices prevailing in local markets.

Social profitability measures comparative advantage or efficiency of the land use system. Efficiency is achieved when an economy’s resources are used in activities that create the highest level of output and income. Social prices are intended to reflect social opportunity costs. For example, prices in world markers usually are used as the social prices for outputs and inputs that are traded internationally.

Divergences due to policy & market imperfections
Divergences between private profit and social profit, hence L = D - H. The Net Transfer is the sum of all divergences that cause private profit to differ from social profit.

Net Transfers, L = I - J - K, shows the extent of inefficiency in an agricultural system. It is also the difference between private profit and social profit, hence L = D - H. The Net Transfer is the sum of all divergences that cause private profit to differ from social profit.

Output transfers (I = A-E) and input transfers (J=H-F) arise from two kinds of policies that cause divergences between observed prices and the world market: commodity-specific policies (a wide range of taxes, subsidies and trade policies) and macroeconomic policies, especially exchange rate policy.

The 'PAM' is a matrix of information about agricultural and natural resource policies and factor market imperfections that is created by comparing multi-year land use system budgets calculated at private and social prices.

Methodology

Research Objective
Produce comparable economic analyses of the most important land use systems in two ASB benchmark areas:
- the lowlands of Sumatra in Indonesia
- Mae Chaem watershed in Northern Thailand.

To assure assure comparability across sites and systems, a course was held in Chiang Mai, Thailand, 1-14 June 1997.