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## Book Reviews

**The Food Industry: economics and policies**, J. Burns, J. McInerney and A. Swinbank (eds.), Heinemann and the Commonwealth Agricultural Bureaux, London, 1983. £10.95 (soft covers).

**The EEC and the Food Industries**, A. Swinbank and J. Burns (eds.), Food Economic Study No. 1, Department of Agricultural Economics and Management, University of Reading, 1984. £7.50 (soft covers, including p&p).

**The Food and Farm Policies of the European Community**, S. Harris, A. Swinbank and G. Wilkinson, Wiley, Chichester, 1983. £12.50.

Three books were considered in this review (denominated by author/editor surname acronyms BMS, SB and HSW respectively) because of their interrelated subject matters and their common ancestry (University of Reading). The first two are derived from conferences on the food industries organised by Reading. In this review, each book is individually considered, and then the relationships among them briefly evaluated.

The first book (BMS) would have been more appropriately titled *The Food Industry of the United Kingdom*, since there is practically no discussion of other countries' food industries, nor of general attributes of an "archetypal" food industry. Indeed, the editors seemingly profess economics without theory since "study of the food industries . . . is not a 'theoretical' area of enquiry" (p. xi). Thus the first section of the book, on "economics", is principally a catalogue of characteristics of the U.K. food industry. This catalogue of characteristics in Chapters 1-9 includes an overview; consumption patterns over time and among products; relative importance of food manufacturing in the U.K. economy, simple sectoral linkages; food industry structure, food distribution structure, trade statistics; household consumption expenditure and influences on demand, and raw materials, labour use and profitability in food manufacturing; changing food industry structure and effects on farmer marketing; changes in food technology; manufacturing and retail concentration, and whole-

saler activities; and a brief overview of prospects for world food production. The second section of the book, on "policies" (Chapters 10-16), comprises a "public interest" theory of the origins of government intervention; a review of U.K. experience of food price controls; a review of U.K. experience of competition policy affecting restrictive trade practices, monopoly and merger policy, and price control; U.K. food standards legislation affecting safety and fair trading; a brief chapter on the effects of the European Community<sup>1</sup> on the U.K. food industry; a possibly-unintended case study of the role of a lobby group (Food and Drink Industries Council) on food policy formation; a discussion of the meaning of "food policy"; and a concluding integrating chapter by the editors.

The usual difficulties of edited conference proceedings arise with BMS — e.g. the difficulty of imposing rigorous referencing between chapters to avoid repetition, or ensuring authors wrote within the nominated title. The major difficulty — not altogether surprising in an initial survey of the U.K.'s food industries — is the lack of depth, even in description. Conspicuously lacking is a detailed case study of a particular industry for describing the process of change, let alone for analyzing why such change occurred. Only the chapter on competition policy approached the reviewer's ideal of a blend of description and analysis. Unfortunately some of the chapters read like advertisements — for professional food technologists, a major grocery retailer and a lobby group. Given the apparent regional differences within the U.K., it is surprising that the effects of regional differences in agricultural production, infrastructure, economic well-being and social change were not investigated.

The second Reading conference (SB) had a much less ambitious scope than its pre-

<sup>1</sup> The European Community (EC) — or, more correctly, European Communities — was formed in 1966 from the previously partially distinct European Coal and Steel Community (ECSC) (treaty 1951, formed 1952); the European Economic Community (EEC) or "Common Market" (1957, 1958); and the European Atomic Energy Community (Euratom) (1957, 1958). Apart from ECSC and Euratom, the other names and acronyms are widely used interchangeably, even within the EC.

decessor, and was consequently more successful. The content embraced a stinging attack upon the general impact of the CAP (Common Agricultural Policy) on industries processing agricultural products; a necessarily brief discussion of the effect of EC structural policy on these processing industries; an excellent and detailed discussion of EC food law; a good discussion of EC administrative and case law affecting competition policy; four delightful, often incisive, chapters on the often macabre effects of the CAP on the processing of milk, cereals, sugar-related products and meat; a very brief chapter from an employee of the EC Commission on the food processing industries; and an excellent integrating chapter by the editors.

Part of the reason that SB was more successful than its predecessor was that it was concerned with elucidating non-economic analysis of the EC food industries. These analyses are an essential, but frequently neglected, prerequisite for relevant economic analysis. The "case studies" forming the core of SB — the chapters on food law, competition policy, and the dairy, cereals, sugar and meat industries — are by authors from within these industries, and consequently demand a critical reading. Despite the partiality of these authors, however, there is none of the unwelcome self-advertizing that characterized BMS. The papers in SB were also markedly more successful in analyzing the EC food industry. The residual — and still substantial — bias towards analyzing the EC from a U.K. perspective is probably ineradicable given the nationalistic nature of the un-Common Market, and the pathological aversion of the English (and their colonial offspring) to learning other languages.

*The Food and Farm Policies of the European Community* (HSW) is, despite its ambitious scope, the best of the three books under review. It has two major sections. The first — with chapters on Decision Making and the CAP; Price Support in the European Community; the Cereals Livestock Complex; Grassland Based Livestock; Arable Break-crops; and the Southern Problem — outlines how agricultural support policies have developed and are made, and their operation and consequences in the major product groups. Particular products are discussed in the

commodity chapters under the headings Economic significance, Budget cost, (Product) Coverage, Support measures, and other details. This standard organization facilitates rapid comprehension and comparison among products. The second section comprises discussions of particular issues. These issues are Green Money and Monetary Compensation Amounts (the essence of the uncommon market); Structural Policy (of minor significance compared to agricultural support); two surprisingly disjunct chapters on the Impact of Farm Policies on the Food Industry, and Food Legislation; the CAP and Third Countries; and the Community Budget. The book commences with a rather self-conscious chapter locating EC agricultural support policies within the tradition of such policies in developed Western countries, with an obligatory nod to consumers. The book concludes with a chapter "Whither the CAP" where the costs and benefits of the CAP are briefly discussed, together with a brief resume of proposals for reform.

HSW is the best of these three books for several reasons. Where it overlaps with BMS and SB in discussing the food industry in the EC, HSW draws very effectively on the best of the other work. Its discussions of CAP mechanisms and policies is at least as good, and more often better, than others known to the reviewer. While formal economic analysis is subordinated to description, this is not a defect given the widespread misapprehensions about the nature of the CAP and the EC, not least within the EC itself. HSW is well-written and well-integrated. No doubt HSW will have its major impact as an undergraduate text. It would be a pity, however, if this were its only impact. For example, it deserves to be read in small third countries (e.g. Australia) for an appreciation as to why the agricultural price, production and trade policies of the EC are unlikely to be radically altered in the short to medium term except in response to catastrophes (which are *unlikely* to include the EC's current budgetary problems) or pressures from Very Big third countries (i.e. the U.S.A.). Since small third countries are going to have to learn to live with an unruly EC, they had better learn to live to their best advantage through understanding it, and not waste their resources in fruitless efforts to unravel the CAP.

HSW should be read by anyone with an interest in the EC or international agricultural trade. Its chapters on the food industries are good introductions to the subject, albeit specific to the EC. SB contains some incisive analyses of particular aspects of the EC food industry. BMS is rather diffuse, but with useful information. Notwithstanding criticisms above, the three books are a good antidote to the stream of agricultural policy analyses which ignore the multifarious activities between farm gate and consumer's gullet. The reviewer awaits with interest the report of the Reading group's 1985 Conference "Food Policy Issues and the Food Industries".

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*Economic Analysis and Agricultural Policy*,  
Richard H. Day (Editor), Iowa State Uni-  
versity Press, Ames, Iowa, 1982. Pp. xvii +  
368. \$US35 (hardcover).

*Economic Analysis and Agricultural Policy* is a volume of 23 papers in honour of Geoffrey S. Shepherd, Professor Emeritus of Economics at Iowa State University. These writings were contributed by a number of Shepherd's colleagues and ex-students to mark the occasion of his eightieth birthday in 1978. Approximately half have been previously published (some were revised for this venture), but there is sufficient new material to make this volume an important review of the concepts and methods surrounding economic analysis and agricultural policy.

An introductory biography details Shepherd's professional career which has spanned the full spectrum of agricultural economics. His early years on a Canadian prairies family farm preceded a long academic career at Iowa State which was interspersed with numerous advisory assignments around the globe. While Shepherd's 50 year bibliography of over 200 research writings and books encompasses virtually every aspect of agricultural economics, he is undoubtedly best known for the numerous editions of his three major textbooks, *Marketing Farm Products: Economic Analysis*, *Agricultural Price Analysis* and *Agricultural Price Policy*.

It is thus fitting that this volume be dedicated to a man who has made a lifetime contribution to the literature of agricultural marketing, prices and policy.

Editor Day details three objectives for this volume; (1) to focus renewed attention on Shepherd's work and methods; (2) to provide a contemporary survey of representative research in those areas of economic analysis and agricultural policy to which Shepherd himself made such significant contributions; and (3) to provide colleagues and former students an opportunity to recognise Shepherd's work and influence on their own lives by presenting papers in his honour. The papers are grouped into four sections; I. On Values, Analysis and Policy; II. The Quantitative Approach; III. On Research, Technology and Resources; and IV. Markets and Economic Development. Day presents a resume of the papers as a preview to the volume itself.

The seven papers comprising the first section have all appeared before and are mainly concerned with the role of values and the contribution of agricultural economists to the formulation and appraisal of agricultural policy. Central to this section are Shepherd's views on what researchers can really say and do about values and agricultural price policy; these papers originally appeared in the *Journal of Farm Economics* in the mid 1950's. The second section (five papers) concerns the evaluation and practice of quantitative policy analysis and problem solving. Although he was not a noted practitioner, it is suggested that the quantitative thrust of this section is not entirely out of context with Shepherd's "simplistic, commonsense approach". His insistence on establishing the facts and testing hypotheses on the underlying neo-classical framework engendered an appreciation of the quantitative developments over his career. Not that they appear to have been overly successful. In his review of developments in the theory and practice of econometrics, Judge implies that many of the problems faced by Shepherd 60 years ago as he attempted to learn from and use his economic data, still remain. Fox's perspective of the prominent role played by agricultural economists in the development and appreciation of quantitative methods in demand analysis is of particular interest. He comments, with satisfaction, on

the latter-day resurrection of the (original) single equation estimation methods which lost much favour with the emergence of the simultaneous systems estimators in the early 1940's. The other papers concern the theory of business cycles (Tintner); a comparative description of recursive programming models (Huang, Heady and Weisz), and the selection of representative farms in linear programming models (Fisher and Kelley).

The third section contains five papers; Schultz describes the growth and dimensions of agricultural research and addresses the important questions of who should pay and how it should be organised; Shand presents a case study of the international transfer of technology, exemplifying India's experience with cereal breeding; Ladd develops a product-characteristics approach to assessing technical change in animal breeding; Weisner investigates the economics of grain alcohol production; and Timmons considers the complex social benefit-cost issues of water resources. The fourth and final section (six papers) is concerned with the changing world pattern of economic development and the increasing interdependencies between countries for production inputs and technologies. Shepherd concludes this section with his suggestions for marketing policies for the less-developed countries, drawing on his experiences as an economic advisor in Peru between 1965 and 1969.

This is a book with much to offer. The breadth of Shepherd's work ensures that any book dedicated to the recognition of his contributions has something for just about everyone. A noteworthy feature adopted by some of the contributors is the frequent reference to Shepherd's experiences, philosophies and problems within that particular area of their writings. Those which don't, suffer somewhat by appearing to be a little out of the spirit of the exercise, notwithstanding the continued relevance of their subject matters, nor their right of place in this volume.

As with most other ISU Press issues, this volume is very well presented with only a few conspicuous blemishes, strangely enough with authors names; there should be no confusion with the spelling of the General Theory's author's name by now (p. 66). When published

in 1982, *Economic Analysis and Agricultural Policy* was probably good value to Australian readers at \$US35. Recent events may cause some rethinking.

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Freedom of Interstate Trade under the Australian Constitution, Michael Coper, Butterworths, Sydney, 1983. Pp. xiii + 394. \$42.50.

Michael Coper is Associate Professor in the Faculty of Law of the University of New South Wales. This work is a comprehensive historical and theoretical analysis of section 92 of the Commonwealth Constitution. That section provides that "... trade, commerce, and intercourse among the States . . . shall be absolutely free . . ." As the author says in his preface: "No other area of the Australian Constitution seems to excite the imagination quite like section 92. It has driven usually composed judges to the depths of despair, and usually sedate commentators to paroxysms of purple prose . . . For its pithy but cryptic command . . . has baffled generations of Australian lawyers and defied simple translation from a political slogan into a legal precept."

The book is written primarily for lawyers although it would also interest economists, historians and political scientists. It will be of particular value to lawyers advising Government Departments, statutory and commercial corporations, and marketing boards.

There has been a great deal of debate as to the exact intention of the founders in the drafting of section 92. No fewer than six interpretations of the word "free" have been put forward:

1. Free of all law of every description.
2. Free only of laws which discriminate against interstate trade.
3. Free as trade and commerce of all interference whether specially directed to it or not.
4. Free of laws the pith and substance of which is to regulate interstate trade.

5. Free as a whole, not in relation to individuals.
6. Free from pecuniary imposts.

This indicates some of the difficulties of interpreting section 92 which can arise in relation to economic activities such as transport, marketing and finance. Similarly there have been many interpretations of the word "absolutely".

Mr Coper has adopted a chronological approach, tracing the development of doctrine as an unfolding story. However, for those readers who wish to have a statement of the law as it is there are summaries provided in chapters 1, 4, 7 and 22 and at the end of chapters 29 and 30. In order to enhance the narrative flow of the text, references to the literature have been confined to the footnotes. For the same reason, the footnotes are placed at the end of the book.

The book is, having regard to the technical nature of its subject matter, very readable. The author shows his mastery of the subject matter and the work is, and will no doubt continue to be, the authoritative commentary and reference book in this important and difficult area of the law.

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*Strategies for Vertical Integration*, Kathryn Rudie Harrigan, Lexington Books, 1983. Pp. xvii + 347. Rrp \$56.50.

At a time when vertical integration is under close scrutiny by policy makers and industry participants largely with respect to its social welfare implications, a text considering vertical integration as a business strategy is particularly timely. Professor Harrigan's book, *Strategies for Vertical Integration*, provides a detailed examination of the nature of and corporate objectives with respect to vertical integration in various case study firms representing the spectrum of industrial development.

The author examines vertical integration as a business strategy through a logical, scientific method approach. The existing literature and its deficiencies in identifying corporate object-

ives with respect to vertical integration is examined in the first section of the book. The author subsequently proceeds to create a "model of vertical-integration strategy". The various forms, stages, degrees and breadths of vertical integration arrangements are described. A complex matrix or strategy framework for vertical integration is developed in which each of the above features of vertical integration strategies are explained by various company and environmental characteristics. This framework is presented as a behavioural model in which the abovementioned characteristics are hypothesized to predict the type of vertical integration strategy adopted by any particular firm.

In order to test the predictive power of the model (i.e. to test the underlying hypotheses), Harrigan applies the case study approach, examining the integration strategies of firms within a number of industries. The industries selected represent the range of phases of industry development. Industries considered in the "embryonic" phase of development include the coal gasification and residential solar heating industries. "Emerging" industries considered are genetic engineering and personal computers. "Established" industries considered are ethical pharmaceuticals and tailored suits. The two "endgame" case study industries are petroleum refining and whiskey distilling. The nature of vertical integration strategies in eight "declining" industries are considered in less detail as a preliminary to those sections detailing the "younger" industries.

With the exception of the "declining" industries, the industrial organization of each industry is considered in substantial detail. Following each industry description, the observed vertical organizations of firms in each industry are compared with those organizations predicted by the model.

The predictive performance of the model is summarized in the penultimate chapter of the book for each industry and major deviations between predicted and observed strategies are discussed. The results of a regression analysis with degree of backward integration, degree of forward integration, breadth of integrated activities, stages per integrated activity and form of integrated relationship being the dependent variables and various environmental

and firm characteristics constituting the independent variables, are also presented in this chapter.

The implications of the research findings for business strategists and policymakers are briefly outlined in the final chapter.

The material in this book is generally arranged logically and clearly. The reader is not required to read the entire text and would benefit by only reading those sections relevant to his or her own circumstances. The book could effectively be used as a manual by those business practitioners responsible for corporate planning. Academics involved in market conduct/performance studies would also find the material presented of practical value. Policymakers would find this book a useful source of information regarding the reasons for and implications of vertical integration strategies.

A more complete discussion and analysis of Harrigan's empirical results would have been useful. Such a discussion could have appropriately been included as an appendix.

The text is supported by a number of figures which are often over complex and confusing. In addition, the sequencing of material in some chapters leaves something to be desired. The stratified ranking of chapter section headings is also often unclear.

In summary this (expensive) text represents a valuable addition to the business management and market conduct/performance literature. *Strategies for Vertical Integration* may most appropriately be considered as a "users guide" for business managers considering the application of vertical integration in their corporate planning.

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Growth and Equity in Agricultural Development, Allan Maunder and Kazushi Ohkawa, Gower, Aldershot, 1983. Pp. 619. \$A37.00.

In the first two decades after the Second World War economists were emphasizing growth and improvement in per capita income as a major policy issue; there was very little consideration regarding distributional aspects of the benefits of growth. During the 1970s the

distributional question had become a major policy focus and the book deals with this aspect in over forty papers that are included in it. Some of the papers look at growth and equity issues in the process of agricultural development in various regions of the world.

Agricultural development since the Second World War has varied from nation to nation; in the developed market economies there has been robust growth. In most of them the beneficiaries of such growth have been the larger farmers. They benefitted more than the smaller farmers from policies related to prices, credit and taxation. Even research and extension services have been more to their benefit. Such a situation was mitigated in some countries like Norway and Switzerland by income stabilization measures and other public policies. In Western Europe, especially the E.E.C., public measures have gone too far in supporting higher prices for agricultural commodities and this has resulted in E.E.C. countries becoming significant exporters of agricultural commodities in the 1970s, reversing their previous position as net importers.

In the developed socialist countries agricultural development had been characterized by stagnation in general. In the last decade it appears that some countries like Hungary were able to provide greater incentives and generate substantial growth. In recent years the Soviet Union has allocated almost 27 per cent of its Gross Capital formation to agriculture without significant improvement in output. In terms of income distribution the performance of socialist countries was better in that inequalities between urban and rural areas have been considerably reduced, while other inequalities in the social and political areas remain a matter of concern.

The developing world is characterized by slow growth in agriculture; despite this slow growth there has been considerable increase in inequality; in Asia there is the remarkable success attained in countries like Taiwan. There the growth generated was combined with equality because of institutional reform and economic policies related to industrialization. Taiwan pursued an export oriented policy in the early stage of development and was able to reap the benefits of exposing the economy to international competition. In inward looking

South Asia, agricultural development experience varied from one of relative stagnation to moderate growth; in most South Asian countries inequality has persisted in the agricultural sectors. In Southeast Asia, there has been vigorous growth in agriculture, from the introduction of high yielding varieties, but the growth process has been characterized by a high degree of inequality in income distribution. The situation in mainland China was different; agricultural growth has been slow, but the benefits of growth were distributed more equitably thanks to the institutional reform after the revolution. Presently, Chinese authorities are reassessing the sluggish performance of the agricultural sector and the introduction of the responsibility system with greater incentives for the peasant is likely to improve the situation.

The growing inequality in the context of moderate growth in agriculture has been a problem also of countries in Latin America, especially Brazil where export crops are to some extent replacing food crops. The growing inequality has also become a problem in Africa, despite the poor performance of the agricultural sector. In many nations of sub-Saharan Africa, agricultural growth is lagging behind population growth as a consequence of the deteriorating quality of land, migration of able-bodied workers to the urban areas and the increasing disincentives in agriculture arising from taxation and other public policies. In addition that region has been adversely affected by political instability, drought and civil wars which have exacerbated the problem of agricultural development. The food deficit of nations in that region will be a concern to us all for many years.

The book covers all these aspects of growth and development in various papers and reports presented at the Eighteenth International Conference of Agricultural Economists held in Jakarta in 1982. The conference was prepared by Professor Ohkawa and he was able to elicit a number of papers from eminent agricultural economists like Nurul Islam, Mellor, Hayami, Yamada and Bruce Johnston, to name a few. They have given their approach to the question of growth and equity in agriculture succinctly in short papers. The Elmhirst memorial lecture given at the conference by Professor Keith O. Campbell is

also included in the book. In the invited lecture he deplored the development of ecology from a science to a religion and he exhorted agricultural economists to participate in determining priorities with regard to conservation issues.

The growing shortage of food in developing countries especially in Africa was discussed by Nurul Islam in an overview paper on world agricultural growth. He felt that the shortage of food supply in a majority of developing countries would loom large in the next decade and he suggested drastic measures including changes in domestic policies and assistance from developed countries to forestall the problem. Development assistance would have to increase by 3.4 times in the next few years to save some of the developing countries from starvation. It is very unlikely that even a quarter of that level of assistance would be forthcoming considering the present sluggish growth in most developed economies.

The book examines the problem of growth and equity from various perspectives. The concept of growth and equity is clarified using diagrams by Tarditi and Glenn Johnson; analytical aspects are explored using micro and macro models; the significance of family farm units for greater production and equity is stressed by Mellor and Khan; the question of trade-off between growth and equity is discussed at length in various papers. It is generally felt that the equity problem in the developing countries could be solved within the context of growing agriculture provided there are policies to slow down population growth. A number of papers in the book stress the importance of institutional reform to moderate the growing inequality in developing countries, and the cost of a revolutionary change in institutions is explored by Khan. The quality of papers varies; but on the whole, the proceedings, with the vast array of excellent papers on the crucial question of growth and equity in agricultural development, are a welcome addition to the growing literature on economic development.

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