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Book Reviews

Agricultural Co-operation. Malcolm Sargent. Gower Publishing Company, Hampshire, England, 1982. Pp. ix, 156. £14.50.

Malcolm Sargent from the University of Bath has spent much of his career in researching and writing on agricultural co-operatives. In his book *Agricultural Co-operation*, Sargent draws on such a wide range of literature that in a sense, the book is a research review on co-operation which appears to have been largely uninfluenced by any personal experiences of the author.

My impression is that Sargent has tried to be totally objective. He appears to be neither pro-nor anti-agricultural co-operatives, and consequently, this book is neither inspirational nor controversial. It is a different type of book to those written by the well-known American co-operative researcher Joseph Knapp, who is unashamedly pro-farmer co-operatives. In contrast to Sargent, Knapp writes in an inspirational manner, giving the impression that the problems that farmer co-operatives have had will soon be overcome and that they will experience far greater success in the future.

Sargent presents a historical perspective on agricultural co-operatives in the United Kingdom, Europe and the United States with particular emphasis on the relative unsuccessful British experience. Also presented is a listing of the common factors associated with co-operative success and failure and these include, the existence of economic need which is crucial to co-operative success; the federalisation of co-operatives (i.e., second-tier co-operatives) at an early stage which has been important to the success of co-operation in some countries (the failure of federalisation in the U.K. in the 1920's may have hampered progress); the need for co-operatives to grow of their own accord rather than under legislation, unless the latter is strongly supported by farmers; a good general education amongst the rural population tends to ensure success; support from other farmers' organisations, particularly those having a political role; and the necessity for existing agricultural policy not to be in conflict with co-operative aims. The importance of policy makers, skilled leaders and influential management is also stressed as a key to success.

Studies of the operation of co-operatives in the United States and the United Kingdom are also cited by Sargent. In the United States, management and membership difficulties, insufficient business and financial credit constraints were found to be the major reasons for co-operative failure. The British study highlights the determinants of co-operative success which include vertical growth; maintaining informal contact with neighbouring co-operatives; keeping the primary unit sufficiently small to enable farmers to identify with people they know and trust; creation of an effective board of directors and the establishment of good communications.

Other chapters concern business growth and co-operative development and the role of management. The latter chapter quotes the work of Abrahamsen in the United States who lists the main reasons for co-operative growth as being, overcoming size limitations that restrict the provision of services to farmers;

a greater integration of activities; improved performance efficiency through economies of scale, and increased market power. In the final chapters, Sargent draws on the extensive literature of agricultural co-operation to develop a model of co-operative growth and development. He then lists eleven different areas of agricultural co-operation requiring further research.

It is surprising that certain aspects of co-operative management and operation barely receive a mention. One is the principle of producer commitment, in which it is held that co-operative success is limited unless members are totally loyal to their co-operative. Other notable omissions include the failure to mention the key role of marketing expertise in marketing co-operatives; the adoption of sound corporate planning practices, and the use of equitable and efficient pooling procedures which are regarded as cornerstones of marketing co-operatives in parts of the United States. Farmer co-operatives throughout the world have an almost inevitable tendency to sink to the level of the lowest common denominator, to become very conservative and to resist innovation. For success, this tendency must be resisted, fought against and overcome. In his classic treatise *Vice President in Charge of Revolution*, Murray D. Lincoln presents a suggested solution to this problem which Sargent does not mention.

Despite its deficiencies, this book will make worthwhile reading for those interested in the fields of agricultural policy, marketing of farm products, and the purchasing of production inputs. Whilst no reference is made to the Australian scene, there is much in this book of relevance to our situation.

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Food and Agricultural Policy for the 1980's. D. Gale Johnson (Ed.). American Enterprise Institute for Public Policy Research, Washington and London, 1982. Pp. xxi, 229 (no price quoted).

A great deal of attention has focused on the formulation and operation of agricultural policy over the years. This has been particularly so in the United States where the early emergence of the so named "farm problem" and its policy solutions provided much of the basis for the policy management of farm sectors throughout the world. The objectives of farm policy have been wide and varied and in many instances, its impact has extended far beyond the target farm sector. There is some evidence to suggest that the opposite is also true, i.e., general economic policy has been of major benefit to farmers.

The papers contained in this volume thus represent a timely commentary on the efficacy of U.S. agricultural policy and on the influences necessitating its redirection to enable it to better cope with the challenges of the 1980's. They were presented at the Conference on Food and Agricultural Policy which was sponsored by the American Enterprise Institute for Public Policy Research in Washington D.C. during October, 1980. The seven working papers and commentaries are broadly grouped into three sections, covering the development and consequences of federal farm legislation over the 1970's; the policy implications of developments in food production and disposal, and a projection of the structure and potential problems facing U.S. farm policy over the 1980's.

Part One containing papers by Penn and Gardner commendably performs the policy review function. Penn traces U.S. farm policy developments over the 1970's and projects the farm sector's likely profile into the 1980's. His main contention that this period heralded relative resource equilibrium in agriculture is evidenced by much reduced farm resource excesses and labour migration and, surprisingly, a near equality of farm and non-farm incomes (the central symptom of the "farm problem"). Clearly, the structure of U.S. agriculture has now evolved to a plane higher than that evident in most other countries. Policy for the 1980's will have to be directed away from its traditional emphasis on production management and commodity price support, to focus on the increased price and income instability likely to result from the growing influence of foreign markets for U.S. farm commodities.

Gardner's paper details the consequences of U.S. farm policy over the 1970's, giving emphasis to the declining role of government in determining farm prices and asset returns. The author notes the emergence of a strong anti-farm programme stance exemplified by this quote from a presumably non-farming source, "... the farmer is protected against every contingency by a dizzying array of federal assistance programmes that make the Chrysler bailout look like small change". Consequently, there has been a market re-orientation of government sponsored commodity programmes and increased activity in the problem areas of income and price instability, all of which has been brought about by the diminished impact of traditional farm programmes. In fact, Gardner hypothesises that policy in non-agricultural areas (i.e., monetary, tax and international trade policies) had a greater impact on the farm sector than explicit agricultural policy; which now seems a little inconsistent with the recently announced "payment in kind" policies which look like reducing the overall U.S. cropping area by more than 30 per cent over 1983-84.

Part Two contains papers by Josling on the implications to U.S. agriculture of developments in the international trade sector over the 1970's, and Tweeten's analysis of prospective structural adjustment in farming over the 1980's. Josling describes the dramatic recent growth in U.S. farm exports and, importantly, the shifts in the export market bases. Predicting a steady growth in this area, Josling identifies the two major factors that will ensure such growth as being the adequacy of market information and facilities, and the need for domestic market and income support policies to be consistent with overseas trade realities (an issue later echoed by both Johnson and Schuh). On the domestic scene, Tweeten is pessimistic about the long-term prospects for the farm family. He predicts that the rate of growth for farm incomes to maintain relative parity with non-farm levels will now have to be much greater than over the last 40 years. This prediction appears to dampen Penn's earlier favourable observations of current approximate equality between these income levels.

Three papers by Schuh, Johnson and Schnittker comprise the concluding Part Three on the thrust of U.S. agricultural policy over the 1980's. Schuh considers that greater dependence will need to be placed on market forces over the 1980's, and suggests that the rural community will be likely to benefit more from general economic rather than traditional farm policy. This is mainly because of potential increased instability in the farm sector brought about by international influences. In considering agricultural policy alternatives for the 1980's, editor Johnson emphasises the continued evolution of farm commodity programmes and concludes that most do not require significant modification or improvement. Johnson supports Gardner's call for the greater market orientation of commodity policy, although a number of guarded assumptions

underlie this support. Finally, Schnittker presents a brief scenario for U.S. farm policy in the 1980's and identifies several potential issues that policy will need to address. These include a somewhat contentious prediction of short falls and rising real price levels for farm products, and a generally declining emphasis on price and income support schemes.

Whilst it is highly specific to the U.S., this volume will be relevant to all practitioners and students of food and agricultural policy. The contributors are eminently qualified in the area and hence these proceedings provide a valuable perspective on policy dynamics and the issues farm policy will have to address itself to over the remainder of the twentieth century. The text is well presented with few apparent editorial blemishes. The only one this reviewer noticed occurs on page 149 where there is a partially repeated line at the end of the second paragraph.

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Agricultural Marketing and Prices. Second Edition. Keith O. Campbell and Brian S. Fisher. Longman Cheshire Pty Ltd, Melbourne, 1982. Pp. vii, 150. Rrp \$A9.95.

Nine years have elapsed since the publication of Keith Campbell's well-read *Agricultural Marketing and Prices*. In this second edition, in which Brian Fisher is a collaborator, the publisher tells us "... the organisation of the earlier part of the book dealing with agricultural economic principles has not been changed materially. However, additional chapters on marketing margins and on futures markets have been added. The later chapters describing marketing institutions and pricing arrangements have been revised and brought up to date". This brief outline does not do justice to the extent of revision in this edition, and the changes can be grouped into three areas.

First, the two new chapters on marketing margins and on futures markets reflect a greater interest in these topics in Australian agriculture over the past decade and provide a broader view of agricultural price behaviour. Chapter 5 on margins examines the factors influencing short-run and long-run movements in margins, and the scope for reducing margins, and discusses the incidence of changes in margins. Chapter 6 on futures markets outlines the development, nature and operation of these markets, and emphasises the requirement for standardised contracts.

Second, factual information has been updated (especially in the later chapters on product marketing), and the time period covered in figures has been extended (especially in Chapter 4 dealing with price behaviour). Further, there has been a change in emphasis in some sections to reflect differing circumstances in particular industries or rankings of particular issues. For example, the section on income stabilisation schemes has been reduced from six to just over one page, and the sections on dairy product and sugar marketing schemes have also been substantially reduced. The section on the use and abuse of marketing board powers has been expanded.

Third, there have been improvements in the presentation of the book—it looks better, with a more attractive cover, easier to read typeface, and higher quality paper. There has also been a general editorial cleanup, ranging from an

overall tightening of prose to slight changes in headings and a renumbering of figures to indicate chapter location (Figure 4.3, etc.). Some figures have been re-arranged for clarity, for example, 4.5 explaining cobweb cycles is now on one page instead of being spread over three pages as previously.

References for further reading also have been added to every chapter (an addition this reviewer suggested following publication of the first edition). The number of references cited averages five except in the chapters on marketing boards and the marketing of livestock and crop products where the average is nine. Taken together, these changes have resulted in a better balanced and more topical and readable introduction to Australian agricultural marketing and prices. The book deserves a wide readership.

No revision is perfect though, and several gremlins have gone undetected. For example, in some of the figures there are typos in scales (6.1) and titles (4.5 d and f), ambiguous titles (5.1b) and inconsistent sample periods (4.6). Some price graphs are in real terms (5.1) while the rest are in nominal terms. Further, a couple of minor sources of dissatisfaction remain from the first edition. Perhaps the most obvious is that the treatment of cobweb cycles (Figure 4.5) implies a relationship between prices and quantities which does not exist. Finally, an arguable point is whether two new paragraphs on price levelling and price averaging would be better located in the chapter on margins than in the present location in the discussion of meat marketing arrangements.

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