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Some Thoughts on Agricultural Marketing Research

By Alden C. Manchester

IN SPITE OF MORE than 50 years of marketing research in the U.S. Department of Agriculture and the agricultural experiment stations and 20 years of greatly increased emphasis under the stimulus of the Research and Marketing Act of 1946, the justification for, objectives of, and scope of such research remain a subject for extended discussion.

Justifications for marketing research in public institutions have ranged from the straightforward goal of obtaining for farmers a larger share of the consumer's dollar for food and fiber, through improving efficiency of the marketing system (11)¹ to the search for objective truth (10). It seems unlikely that many engaged in or responsible for this area of research would care to be ranked among those opposed to any of these goals. Yet they remain less than completely satisfactory. We seek a goal somewhat more specific than the search for truth and more nearly attainable than increasing the farmer's share of the consumer's dollar.

Perhaps we can put the question in somewhat better perspective if we consider what the economist engaged in marketing research is equipped to do. He has available to him the tools of economic analysis—theory and research methods relevant to the problems at hand. He has no special knowledge of the goals of society or superior means of judging good or bad, better or worse. And, perhaps most important of all, he has no means of putting his conclusions and recommendations into practice. This must be done by others, either those engaged in the practice of marketing farm products or those responsible for the creation and execution of public policy and programs. Thus, marketing research cannot make the marketing system more efficient. It can provide a better understanding of the marketing system and of possible changes in it which others can put into operation if they choose, thereby improving the efficiency of the system.

Thus, if this premise is accepted, the justification for marketing research must be seen in terms of improving understanding of the operations of the marketing system both as it exists and as it might exist under a variety of postulated conditions, in order to assist decision-makers in both the private and the public sectors to make better-informed choices among alternatives.

Limits

Marketing consists of the activities of the economic system which occur beyond the point of farm production and short of the act of consumption. The traditional dividing line of the farm gate is no longer a useful guide, since many marketing functions are now performed on farms, including in many cases grading and packaging—for one example, eggs. Harvesting and its equivalent for animal products are still defined as a part of production, although many interrelationships exist between production and harvesting practices and marketing problems. In short, the distinction between production and marketing can no longer be made in terms of the agent but must be stated in functional terms. It goes without saying that many research problems will involve both production and marketing functions which are closely interrelated. The distinction is chiefly in terms of the focus of a problem—is it more marketing-oriented than production-oriented—not, is it a marketing agency problem rather than a farm problem.

The marketing system is the complex of private and public agencies which impinge upon the marketing process. It includes the traditional marketing firm from processor, packager, and wholesaler to retailer and all of the public agencies and programs which have a relationship to the marketing process, including regulatory and service programs of national, State and local governments.

Efficiency is defined in the broadest terms to include both operational and pricing efficiency. Operational

¹ Italic numbers in parentheses refer to items in the References, p. 33.

The Uses of Theory

efficiency is often thought of as more an engineering concept than an economic one, involving the relatively simple concept of obtaining a greater output for the same physical inputs or the same output for smaller quantities of physical inputs. Pricing efficiency involves all aspects of the market other than operational efficiency. Probably it is best understood by visualizing this aspect of the marketing system as a communication system passing information on consumers' wants and desires back to retailers, processors, and producers, and their reactions forward through the system—with both types of messages being modified and reinterpreted by the participants in the marketing process.

The measurement of pricing efficiency is not as clear-cut as that of operational efficiency. While it can be defined in comparable terms—the ratio of resources utilized as inputs in the communications process to the output of information obtained from the system—we have not yet evolved suitable measurements of either the quality or quantity of information provided.

Goals

We have said that all marketing research is intended to provide information useful to decision-makers in both the public and private sectors of the economy. Clearly, a great deal of research in this area, if competently conducted and clearly presented, will be useful to people in both public and private institutions. We would not have it otherwise if we could. It also seems clear that a substantial number of individual pieces of research considered alone will be of use primarily to managers and executives of private marketing firms. Economic-engineering studies dealing with the physical efficiency of performing specific operations fall in this category, but they also supply essential elements of the "big picture" of the marketing system or a major segment of it. In other words, they are building blocks without which important public policy questions cannot be analyzed.

The goal of the great majority of marketing research projects is not to "solve a problem." Research can analyze the alternative adjustments so that the appropriate decision-makers can select a "solution" with fuller comprehension of the implications of their choices. Even such a "solution" is never final. The solution becomes a parameter of the altered marketing system which creates new problems seeking solutions.

All research, whether it be in marketing, production, resource use, or elsewhere, rests upon a foundation of the appropriate economic theory. This is both the hope and the peril of the researcher. Without relevant theoretical models, he has little hope of performing research useful to decision-makers. At the same time, the researcher must be ever mindful of the basic truth that theory is a simplification of reality. He is forever faced with a choice between the elegance of Chamberlin (2) or Bain (1) and the richness of John M. Clark (3).

He cannot have it both ways. Despite his best efforts at compromise, he must finally choose between the elegance of a precise theoretical formulation and the messiness of a more accurate description of empirical reality. This is not to say that the research economist should proceed from a basis of sheer empiricism, but that he must examine the theory he proposes to use at least as carefully as he examines the characteristics of the woman he proposes to marry—to determine her relevance to the task proposed.

Description, Analysis, Projection

Ever since F. L. Thomsen consigned all descriptive research to perdition over 20 years ago (11), the ultimate insult has been to characterize a competitor's work as "mere description." The grain of truth in the statement has grown into a pile of monstrous boulders blocking the path to acceptance of much highly useful work. The fact is, of course, that it is impossible to do useful empirical work without knowing what goes on in the marketing system—that is to say, without an adequate description of what exists.

The message of Thomsen and countless others was not that description was either evil or useless but that it was not enough. Description must provide a basis for analysis. In other words, description must be carried out in terms related to the analyses which are to follow.

The broad outline of the complete research enterprise has been characterized by George Rogers as "describe-analyze-project" (7). In short, the objective is to describe the situation in sufficient detail and with sufficient accuracy to make possible meaningful analysis of the key relationships, with the ultimate objective of projecting them into the as-yet-unknown. Projection may be through time or in the "if-then" sense of results of possible alternative courses of action.

Another aspect perhaps more important is that we must progress from "mere description" to what has been called "analytical description." In other words, in describing the marketing system, we must be constantly on the lookout for relationships. This requires an adequate theoretical background and a ready appreciation of the inadequacies of theory and the realities of the marketplace.

Marketing research has made very substantial strides in this direction in the past 15 years. Research reports by public institutions which merely tabulate the results of the survey appear much less frequently now than in the early 1950's and late 1940's. In part, this is due, of course, to the backlog of research information available. It is simply no longer necessary to carry on many of the surveys which provided basic data in the earlier days. At the same time, the increased ratio of analysis to "mere description" reflects the higher level of sophistication in the profession and, to some extent, the preoccupation with mathematical models and econometric research. In part, it also reflects the increased sophistication of graduate training programs and the marked shift in the proportion of Ph.D. candidates compared with Master's students.

In general, our theory—for obvious reasons—recognizes few differences between enterprise units except perhaps in size and location. One of the uses of description is to recognize the many differences among firms. One implication of this is that marketing research should be conducted on a sufficiently disaggregated basis so that important differences among groups of firms are recognized. For some purposes, the aggregate of all firms may be the appropriate measurement, but for a great many—probably most—some disaggregation is required in analyzing the impacts of alternative courses of action.

Marketing Research and Policy Questions

Marketing research in public institutions is—or should be—designed to provide information useful to decision-makers in analyzing questions of public policy. A relatively small number of these questions deal with legislative matters—what would be the effects of a proposed new law or change in existing law? These effects must be analyzed in a very wide variety of dimensions.

A second group of questions—much more numerous than the first—deals with administrative decisions. These range from the issuance of regulations under the many regulatory laws enforced by Federal, State, and local governments through decisions about the complex of

prices and price differentials under price support programs, milk marketing orders, and State milk control. They include many questions relating to marketing services provided at all levels of government. Would an extension of market news coverage to include dressed beef in Dallas and Fort Worth significantly improve the operation of the marketing system or would it merely put into published form information already readily available to the participants in the market? What would be the effect of the abolition of the U.S. grades for lamb on the competitive position of lamb producers in the West compared with those in the Midwest and East, and upon various groups of processors, wholesalers, and retailers? What is the effect of special provisions in the Federal raisin marketing order upon the competitive position and incomes of producers and processors and those of different groups of producers and processors?

A third group of questions deals with providing information and analysis to form the basis of the positions taken by public officials and private citizens on matters which are neither legislative nor administrative. These questions are probably the most numerous. In the last 3 or 4 years, the usefulness of fairly substantial resources invested in the measurement of prices and marketing margins at various levels has become more evident as livestock and meat prices rose and fell with the turns of the cattle and hog cycles. The absolute necessity for up-to-date and objective information on prices and marketing margins at all levels has been emphasized and reemphasized. Concomitantly, the need for more accurate measures of prices has become increasingly evident.

Similarly, the issues of "freedom" versus "control" cry out for detailed and objective research as the basis for taking positions. While these issues ultimately will be resolved through legislative and administrative decisions, very extended public discussions of the issues must precede such decisions. Research on specific issues can do much to phrase these questions in terms of real choices rather than battles over platitudes. Such choices are seldom between absolutes. They are more often between a little more or a little less. How much is the freedom to ride the boom and bust of the cattle cycle worth—is it worth as much as broiler producers have given up by signing contracts transferring the gains and losses from the cycle to processors?² Researchers cannot answer this question in terms of the value systems of

²This, of course, begs the question of whether broiler producers in new areas where most of the broilers are now produced ever had this freedom, since they were put into business by the integrators.

cattle producers compared with broiler growers, but they can spell out many of the results of changes in the marketing system.

The Scope of Marketing Research

It is apparent from the foregoing that to answer these questions marketing researchers need to know everything about everything—obviously an impossibility. The American economy is highly dynamic. The marketing system we seek to describe and analyze is constantly changing, with the inevitable result that the task of marketing research is never completed. No problem is ever solved. It is only analyzed as it now exists and within the framework of a few simplifying assumptions about possible changes.

No problem is ever satisfactorily analyzed in vacuo. We are eternally concerned with interrelationships—between the parts of the marketing system, between the demands for different commodities, between prices in one area and another, between the results of public and private decisions.

To provide meaningful analyses relating to a very wide range of these problems, we must have technical coefficients—costs—for each function within the marketing system. Then we can shed light on a question such as: Are margins too high, either in relation to the costs of existing firms operating as they now do or to the costs which would be incurred under a more nearly optimal system?

Needs are by no means confined to the costs of performing physical functions, i.e., to the problems of operational efficiency. Needed more, and much harder to achieve, is meaningful information on the operations of the marketing system as a communication process. Methods of measurement elude our grasp, although progress is beginning to be made with the aid of communication theory (6).

Research in market structure and performance has been so overlaid with moralizing—the imperative of deciding whether performance is “satisfactory” or “unsatisfactory”—that the economist has become both judge and jury as well as prosecuting attorney. A return to first principles, i.e., a recognition of the role of the economist as an analyst without the necessity to judge, would rehabilitate a potentially highly useful area of research. It would make it possible to see relationships between the organization of the marketing system and the efficiency with which it operates.

The changing nature of the marketing system necessitates attack on two lines. Too big to be analyzed all at

once, the marketing system—even for a single product group—must be partitioned in one dimension or another into manageable research bites. In many cases, we are interested in the chain-reaction nature of the system. In others, we are interested in the impacts on producers, marketers, or consumers of changes somewhere in the system. Often, we are interested in both. Even with modern high-speed computers, it is impossible to encompass all the subtleties of the marketing system in an econometric model. We can describe, analyze, or simulate the major relationships, but in so doing we must gloss over many of the fine points. For other problems, we take a small sector of the marketing system and analyze it in much greater detail.

The most useful statement of purpose in these analyses is that we are evaluating the performance of the marketing system. By performance, we mean the results of the system in carrying out its many functions. Used in this way, performance becomes almost synonymous with efficiency as defined earlier. Evaluation is to be interpreted in the sense of scientific measurement, not in the sense of judge and jury deciding what is good for society.

Fragmentation, Additivity, and Christmas Trees

The charge of fragmentation or nonadditivity of research in agricultural economics is nearly as venerable as the profession. In the late 1920's and early 1930's, the Social Science Research Council attempted to give direction to the research efforts of agricultural economists. A committee under the chairmanship of John D. Black prepared a series of reports outlining the field of research and suggesting related research projects in most of the subfields of agricultural economics. Since World War II, nearly every commentator on the state of the arts in marketing research has leveled the charge, the most recent being Shaffer (9).

This is a serious charge and one which cannot be ignored with impunity much longer. Its causes are well known. The treatment is much more difficult and at best can be only partial.

Cures which depend on organization or administrative control are, to put it mildly, improbable. The benefits of atomistic competition among researchers are too well known and the habits too deeply ingrained in the research establishment for a reasonable man to expect change. It is tempting to say that the power of the purse could be used to achieve additive research. This is probably true but not very helpful, since the probability

of anybody achieving such a power and/or acquiring control of such a supply of funds is so remote that serious consideration is a waste of time.

The approach which seems to offer some hope of measurable progress on the road from fragmentation to additivity is that pioneered by the Social Science Research Council committee 40 years ago. A series of research programs in relevant areas of agricultural marketing could provide the basis for a marked increase in the additivity of research in agricultural marketing.

A research program is not a set of rigid rules set down to specify exactly what must be done, by what methods and by what persons on some fixed timetable. On the contrary, it is a set of guidelines indicating the relationships of the parts to the whole and to each other.

This approach to research organization has a long but rather thin history. It may be that the earliest efforts along these lines were those of the various consultants who attempted to outline appropriate areas of effort in 1922 for the newly organized Bureau of Agricultural Economics. The first published effort was that of the Social Science Research Council, previously referred to. Later enterprises included programs for research in milk marketing in New England (8), poultry marketing in the Northeast (5), and fruit and vegetable marketing in New England (4).

Probably the most recent effort of this kind which has had visible results was the planning effort which went into the preparation of a national research program in egg pricing. Planned by a group of research workers in experiment stations and the U.S. Department of Agriculture and funded by Congress, this effort is currently concluding. It included a wide range of related research projects covering the many aspects of egg marketing which relate to the central pricing problem.

A research program can be what George Brandow has referred to as a "Christmas tree," the framework on which ornaments of research results can be hung to present ultimately a glorious and unified whole. Economists will, of course, have to be certain that it is a living Christmas tree, since the industries which they are studying are constantly growing and changing. One approach to the construction of such a Christmas tree would be a comprehensive review of what is known within a given field, i.e., a review of the results of existing research. If conducted with an appropriate framework in mind, it would indicate the gaps in knowledge and the relationships between research areas. For many areas, the most useful beginning for such an enterprise would be with the technical reports of the National Commission on Food Marketing, since they constitute the most recent attempt at a comprehensive

statement of what is known about marketing specific food products. From such an enterprise, a stout-hearted man could proceed to develop a research program for an area such as dairy, livestock, poultry, or grain marketing which would indicate the unfilled gaps.

Such a research program—whether or not accompanied by an inventory of existing research results—would have a variety of uses. First, it would provide a "shopping list" for graduate students and researchers selecting a research project. In this case, it would furnish a more complete list of possible areas of research than any one individual would be likely to think of by himself. By indicating the relationships between an individual area of research and other parts of the marketing system, it would provide the basis for more additivity in research results. It would not make it impossible for a researcher to turn out a piece of work totally isolated from all other research and not capable of being used by others, but it would provide a nudge in the right direction. Second, it would provide the basis upon which groups of researchers could develop integrated studies of various parts of the system. Third, it would indicate data needs, including information which should be available on a continuing basis and that which can be obtained for individual projects. Such a research program should indicate a variety of uses of various kinds of data and should assist in determining what kinds are needed in what form. In the long run, it might lead to data exchanges or ultimately a data bank.

No research program or any other device will solve all the problems of research. However, such an approach can assist researchers in organizing their efforts more productively and moving more rapidly toward the goal of understanding the operations of the marketing system.

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