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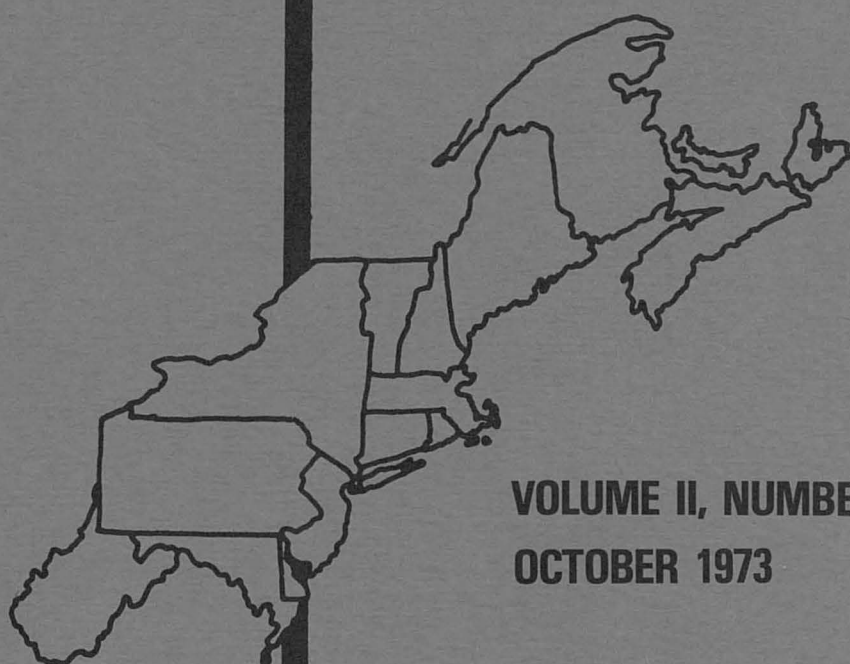
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## THE CHANGING MISSIONS OF AGRICULTURAL ECONOMICS RESEARCH

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The Economic Research Service is in the midst of reorganization. For the past 1-1/2 years, ERS researchers and administrators have been working overtime to make sure that ERS research dovetails with today's priorities.

Today, after a long but fruitful series of committee studies, management seminars, an ERS-wide conference, workshops, personal suggestions from ERS researchers, follow-up seminars with division directors, and finally a week-long retreat of top ERS management, we have settled on our missions and priorities.

A rapidly changing, increasingly vocal American public is demanding research information that's more timely, more accurate, more sophisticated, and more up-to-date with what's troubling the society and its economy.

Not only are the attitudes of our clients changing, but we have different clientele. We can no longer use the term "farmer" to classify our clientele. Rather, we serve many types of farmers. We no longer serve just farmers, but the entire public as well.

Farmers range from those with earnings of over \$100,000 a year to those with very small, low-capitalized operations. The largest have adequate capital, know-how, and land. They need good economic intelligence but, compared to smaller farmers, they have a different world of problems.

The large middle-ground of our farmer-clients are those of say \$10,000 to \$100,000 in farm sales who are important elements in our food and fiber system. They need help to maintain and increase incomes.

There is also a large block of low-income farmers and a growing number of rural residents requiring special rural development-related assistance. Much of our past research has been based on an objective of efficiency in the land-labor-capital context. This has little relevancy to this group of small farmers and rural residents.



Also part of our clientele are the officials of Government, including Congress, who apply our work to the formation of public policy and programs. Aside from farmers, our private sector audience includes farm organizations and agri-businesses as well as the public in general. Increasing concern over environment and consumer issues dramatizes our responsibilities to the larger public.

We have, then, a wide-ranging public clientele. They have diverse interests which form the back-drop for our various economic research responsibilities. We have mapped out five:

1. Characteristics and performance of the U.S. food and fiber system. In evaluating agriculture's performance, we will break from the traditional farm gate production and marketing research. To judge a performance of the "1812 Overture", you must deal with a symphony rather than the individual parts of the string section or the timpani. Similarly, our research will recognize agriculture as a common system with many parts intimately related throughout the input supply, production, and marketing functions.
2. Social and economic adjustments. We have too often ignored questions of social and economic equity in our research. But, with increasing scale and new technologies in commercial agriculture, we are forced to examine the impact of farm modernization on employment, community services, and other factors lying beyond the farm.
3. Natural resource use and quality. We must treat agriculture as a competitor for natural resources, rather than a dominant user. As West Virginia residents know, with their proximity to vacation-seeking Washingtonians, our land and water is highly valued for aesthetic quality rather than just as a resource from which to extract wealth.
4. Consumer interests. Only if the impacts of agricultural policies and programs on consumers are respected can the long-term interests of agriculture be served.
5. Foreign development. This area focuses on technical assistance and training for the less developed nations. It is sponsored by the U. S. Agency for International Development and other development organizations.

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To accommodate these responsibilities, we have altered our organizational line-up. There are two major groups in ERS--Food and Fiber Economics headed by Deputy Administrator Ken Farrell, and Resource and Development Economics headed by Deputy Administrator Lyle Schertz. My alternate is Associate Administrator Linley Juers. He will also oversee our relations with universities and other research groups as well as coordinate the geographical position of ERS staff. This re-shaping steers our research program away from a discipline orientation to one which is issue oriented.

#### Food and Fiber Economics

The Food and Fiber Economics group will focus on the ability of commercial agriculture to meet domestic and international demand. It contains three divisions--the National Economic Analysis Division, the Commodity Economics Division, and the Foreign Demand and Competition Division. Our former divisions in this area were divided somewhat artificially between situation and outlook, farm production economics, and marketing economics as well as foreign analysis. Such a grouping hampered our efforts on problems cutting across all stages of the beef industry, the feed grain industry, or the soybean industry, among others. The new line-up will allow us to treat commercial agriculture as a highly interdependent system of production and marketing functions.

The National Economic Analysis Division will deal with the entire agriculture sector and center around the more aggregative issues cutting across commodity lines. These would include consumer demand analysis; agricultural finance; farm inputs; pricing, policy, and program analysis; structure and adjustments in the agriculture sector; long-run projections; and overall performance measures in agriculture such as farm income, the marketing bill, and others.

The Commodity Economics Division will focus on agricultural subsectors such as the livestock industry. It will handle a national program of economic research and analysis, statistical programs, and other work relating to the production and marketing of farm commodities. This will include evaluations of the organization and performance of major commodity subsectors; costs and returns to farmers and marketers; situation and outlook; commodity projections; price spreads; and analysis of U.S. farm commodity programs.

The Foreign Demand and Competition Division's research will map out profitable alternatives for U.S. agriculture in the world economy. It will assist in forming U.S. farm policies and programs to fit the world scale. This program will study worldwide supply and demand conditions; analyze the impact of U.S. and foreign policies on world farm trade; and publish information that traders, government officials, and trade negotiators need to tap world markets.



These three divisions--one concentrating on functional, non-commodity specific areas of the whole agriculture sector, one on commodity subsectors, and another on foreign trade--are tied closely to commercial agriculture. Ken Farrell will assure a close working relationship among them.

#### Resource and Development Economics

Lyle Schertz heads the other ERS major grouping--Resource and Development Economics. Its two components are the Natural Resource Economics Division and the Foreign Development Division. While one deals with domestic issues and the other with international affairs, both concentrate on the equitable development of human and natural resources.

The Foreign Development Division coordinates USDA's support of foreign aid. With a growing demand for economic analysis and planning in developing nations, there is a like demand for economists which FDD uses from throughout ERS.

The Natural Resource Economics Division centers its research on the use, conservation, development, and control of natural resources and their contribution to local, regional, and national economic growth. Analysis of environmental issues is an important element of this division's responsibility.

The third crucial area of resource and development economics has to do with human resource and community development. The ERS division responsible for this work was recently transferred to USDA's Rural Development Service. We maintain close liaison with this group to make sure that the impact of adjustments in commercial agriculture and in resource use on rural people and their communities will be properly considered and researched.

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These divisional line-ups reflect more of a re-orientation than re-organization. The biggest changes in ERS have to do with how we select, organize, and carry out research.

The Management by Objectives approach is one method we introduced to help us select and evaluate research programs. Based on opinions from a variety of sources, including ERS and university researchers, an ERS administrative council will review overall ERS missions, emerging research needs, status of on-going research, and needed readjustments. Then, we'll make tentative recommendations for the coming year's research objectives, in very general terms.

All ERS professional staff will review these recommendations and comment on priority, researchability, resource requirements, and application of results. The administrator's staff will then consolidate these comments and map out the program.

The central reason for adopting a formal procedure for identifying ERS objectives is not to increase central control nor to set our projects in concrete but, rather, to establish a climate in which our staff understands and agrees to the job to be done.

This identification of research objectives will aid evaluation since it offers a specific target against which performance may be judged. Although this will help us compare what was planned with what was produced, it doesn't tell us if the public needs it. Yet, clearly, continued public support of our research depends very much on our ability to demonstrate its value to the Executive Office, Congress, and the public. We are placing high priority on an effective research evaluation system.

In organizing ourselves, we have eliminated our traditional branches, thereby making the division the basic administrative unit. This gives researchers more time to do what they are paid for...research. It also eases the strain of pulling a research team together on special programs. Without the branch boundaries, we will be more flexible in shifting our economists around to where they are most needed.

We have begun to use the matrix organization concepts. This adds to staff flexibility. Many of today's research problems cut across research program areas and, therefore, organizational lines. They require wide-ranging types of research capability. More of our research will require teams that draw staff from more than one research unit.

This matrix will operate among as well as within divisions. Projects combining economists from more than one division will be administered within a lead division. For the duration of the assignment, project members will be responsible to the project leader. Upon completion of their work, the economists will return home and be assigned to a project there or to another matrix project.

Beyond this, we will encourage direct professional contact with the staffs of universities and other agencies with complementary missions. I would like to see an exchange of personnel with universities and state and local governments. This would provide ERS with special competence for specific research and would offer ERS people an opportunity for intellectual renewal.

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You might well think..."fine, you're all dressed up, but do you have anywhere to go?" The point is, we very definitely have a place to go and we've dressed accordingly. This place we're going involves



the research programs that we have assigned the very highest priority within the areas of ERS responsibility. There will be others as our evaluations and changing society needs dictate. But these are the ones we have now...a strengthening of data systems, program and policy analysis, projections work, research on the structure and performance of the agricultural sector, environmental quality, and consumer issues.

#### Data Systems

Data are the economists' tools. But to cut through the issues of today, economists are going to have to sharpen these tools, and, in fact, buy some new ones. I doubt the adequacy of current data systems in ERS...more than that, throughout the U.S. agricultural economics research establishment. They just don't meet current needs for economic analysis and information. High on our list of data priorities are national economic accounts, socio-economic indicators, and foreign economic series.

Kyle Randall, the ERS Outlook and Situation Officer, is reexamining the conceptual framework underlying our data systems. He will lead efforts to evaluate how well our series conform to relevant concepts and definitions. Future data needed for research and information will be identified and appraised. Collection methods will be made more effective and efficient. And methods of making wider and more effective use of data already available in other agencies will be devised. Ways to use computer capacity and ADP capabilities to improve collection, management, and dissemination will also be explored.

We are developing a 5-year program for data collection to supply the research needs of the whole agency, rather than each research area being left to obtain data on its own.

#### Program and Policy Analysis

Did some philosopher say that a school boy's hindsight is better than an expert's foresight? Too often, we have taken the school boy approach to analyzing and interpreting major issues...we're too late to do any good.

ERS is establishing a special research team to stay on top of vital policy issues...indeed, attempt to anticipate them so that we can advise when advice is required. Such a systematic approach will contribute to continuity in our story when the issue is hot.

Important agricultural issues arise from unrelenting growth of domestic and foreign economies, accompanied by major unsettling forces such as unforeseen drouth, frost, or flood. The recent international grain market is sufficient proof. Examples of what we might anticipate today might include the impact of federal income tax on the farm structure or the impact of the proposed value added tax on agriculture.



Such forces reshape terms of trade; bring into question existing market institutions; and confront different economic participants with new sets of choices. We need to anticipate, analyze, and explain in time to do some good. Our foresight must transcend the school boy's hindsight.

### Projections

USDA Director of Agricultural Economics Don Paarlberg often jokingly advises economists to write projections with disappearing ink so that they can't be held accountable for what too often turns out wrong. And, our projections are sometimes wrong. Look at our food price estimates this spring. The fault may not lie in the projections concept itself, but in how economists use it.

We plan to renew our attention to projections, using a term approach to consolidate our efforts and to assure that we work from common assumptions. Too often, our foreign and domestic economists have used different assumptions. When asked to resolve a common theory on what might happen, say in demand for a commodity, they were just too far apart from start to finish.

As we explore alternative futures, our projections team will help assure that we all start from one base. For instance, they will agree beforehand on such matters as the rate of technological change, general economic growth, inflation, domestic and foreign demand, production and marketing structures, changing consumption patterns, and environmental concerns.

Obviously, consistency is useless if we agree to wrong assumptions. Therefore, team members will be drawn from throughout ERS representing the balanced thinking of all areas of expertise. We'll still have the same high-level talent...but, coordinated.

### Structure and Performance of the Agricultural Sector

Rapid changes in the number, size, and control of farming operations, as well as a continually evolving set of off-farm factors, have created a relatively new demand for economic information. We find a new responsibility to perform beyond the farm gate production and marketing questions so that we can adequately measure agriculture's service to the entire society.

In our traditional dealings with input supplies, production, and marketing, we have often treated each as independent of the other, overlooking complex relationships existing between them. Our new research emphasis will be characterized by the interdependence, not independence, of these factors.

Burgeoning technological developments, changing domestic demand, environmental concerns, competing uses for land and water outside agriculture, vertical and horizontal integration of agricultural operations, competition for labor, a shift from land-intensive to capital-intensive operations...these and others impact solidly on agriculture. Some are within agriculture and others are external. But, they all affect the manner in which agriculture treats society and society treats agriculture. We have a monumental job in exploring policy alternatives in organizing, controlling, and adjusting agriculture to the public interest.

#### Environmental Quality

Environmental issues have captured the public imagination, fueled the fires of zealots, and stirred the enmity of those who think they stand to lose. We do seem finally to be paying our environment its due respect. But it is unfortunate that so many have polluted the intellectual atmosphere with all the hot air expended on the subject.

Today's environment emphasis has a direct impact on our research... this dictates a change in our approach. Our past environmental research has centered on evaluating costs of production in light of public decisions made in behalf of environmental protection. This will continue. But, we are also going to study the impact of agricultural decisions on the community environment.

This research lends itself especially to the team approach. Various specialists in pest control, livestock waste abatement, and others will get together to assess the economic impact of control measures on agriculture and investigate and predict the relationship of agricultural pollution abatement to national environmental, social, and economic goals.

#### Consumer Interests

Finally, we mean to emphasize agriculture's responsibility to consumers. Consumers are severely criticizing the food system. They ask pointed questions about how closely food processing, marketing, and merchandising are attuned to changing needs. Consumer groups criticize the lack of market information concerning product grade and quality identification, ingredient specifications, nutritional labeling, open dating, safety implications, and food additives, among others.

Agricultural producers and marketers must know the consumer mind if they are to make adjustments to maintain or improve their market and income positions. Policymakers likewise need to be informed. We have only partial answers to use in forming policies to resolve conflicts or to better satisfy consumers. Changes in their characteristics and lifestyles must be monitored to provide information on evolving



demand. The impact of these changes upon agricultural production, market organization, and market performance emphasizes the need for continuous agriculture-consumer evaluation.

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The Economic Research Service has definite missions and program areas in step with American issues. We are organized in a manner allowing us to do the job.

The real test of these changes will come in the way we implement and carry them out. Further modifications will be required as we confront the unanticipated. Our changes are the beginning of a continuing process of review and adjustment to changing conditions.

I respect the talents gathered here. One reason I was interested in meeting with you, aside from reporting on ERS, was to solicit your comments and advice on our changes. I welcome your thoughts.