



AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search
<http://ageconsearch.umn.edu>
aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

INTERNATIONAL MARKETS AND TRADE: AN IMPORTANT COMPONENT IN EXTENSION PROGRAMS

*B. F. Stanton
Cornell University*

The Setting

While international markets and trade have always been important to American agriculture, the ups and downs of the last 10 years have been so striking they have touched nearly everyone. Agriculture's trade surplus was a bright spot in paying for imported oil. Grain prices and the quantities exported rose dramatically as did production. Now prices have sagged as hard currency markets are no longer expanding. An export embargo on soybeans in the early 1970s created furor on the prairies and angry voices from buyers in Western Europe and Japan. Sugar has received more attention in Congress and in the media than it has for years. Imports of beef, casein, and cheese arouse emotions well beyond their impact on domestic prices.

The importance of what happens outside the United States and their effects on prices, production and costs here, is quite widely recognized, if not understood. The challenge is not so much to create awareness that international trade and international markets are important. That's a reality. The more difficult task is to help people to understand the forces that are at work and why they are so complex, why some action by Congress or the President cannot by itself change market conditions or solve problems of supply or demand.

One of the biggest challenges to state specialists working with county and regional staff is to provide these extension workers with greater confidence that they can handle issues about trade and macro-economics as they relate to agriculture and the food industry. That can't happen overnight. They need clearly written teaching aids. Moreover, the illustrations must build on local issues that require answers. Just as the intelligent layman is today much more sophisticated in talking about interest rates than he was 10 years ago, so we can work now to expand his knowledge and awareness about international markets and trade through our commodity marketing and public policy programs.

If we stress the nature of the markets and the forces of supply and demand that have made these markets international instead of local

or national, then the logic of international trade can follow in stages. Our changing markets based on expanded communication and transportation systems have made reliance on trade much more important for everyone. What happens in Mexico or Japan affects American dollars, American farmers, and American consumers.

International Markets and Trade As A Part of Commodity Programs

International markets and trade have some kind of impact on nearly every agricultural commodity in the United States. These topics can easily be a natural component in a commodity oriented, extension teaching program.

Even in the highly organized and structured markets for milk and dairy products there have been major changes in the last three decades. Regional barriers have been reduced. Pricing is more nearly based on national market forces, both political and economic. Essentially we have free trade in milk and dairy products.

At a time when supply exceeds effective demand for most dairy products in the United States, there's lots of interest in imports, quotas, and export dumping. And this provides a good opportunity to increase knowledge and understanding of international markets, what is happening in the EC, how imports of cheese and casein affect producer and consumer prices. Often there is strong feeling combined with misinformation in a public meeting. But these situations provide both opportunity and challenge.

Audience

The audiences to whom we direct our commodity programs are important. Three groups stand out: (1) Extension staff and personnel, (2) farm and industry leaders, and (3) media professionals. The first two groups have always been major targets for our work. More and more the major newspapers, agricultural magazines and papers, and television deserve our careful attention. They reach into nearly every home on a regular basis and are a principal source of knowledge both factual and otherwise.

Methodology

When international markets and trade are included as an integral part of, but not the central component in a commodity oriented program, a factual basis for discussion is almost automatically established. How large are dairy imports relative to national production and what effect do these imports have on prices? This kind of question is topical, emotional, and proves a good opportunity for learning and discussion. Factual information on the components of national supply in terms of milk equivalent helps provide perspective.

Imports are only one part of the total. Attention can be focused on changes in domestic supply and utilization. The two percent of national supply in 1981-82 that came from imports can then be discussed in terms of its impact on domestic prices, how imports of cheese to the U.S. are controlled, what is happening in the EC with respect to dairy prices and surplus production of butter and cheese. The setting for studying international markets and international trade for one commodity is thus established.

Some combination of factual presentation involving tables and charts which participants in a meeting can take with them and a set of discussion questions or true-false statements to involve an audience in directed conversation works well. Sometimes an outrageous statement made by an unidentified dairy leader is a good starting point. For example, "There would be no dairy surplus problem in the United States, if we stopped all imports of casein and cheese from other countries." Another such statement might be, "There's no reason why we couldn't export our surplus butter, powder, and cheese to needy people if we'd set our mind to it." False statements like this are only useful if we get the participants to develop alternative statements and the qualifications or alternative actions that are required to go with them.

Commodity programs with a focus on public policy issues provide excellent opportunities to create greater understanding of international markets and the role of trade in determining domestic prices and the role of governments in facilitating changes in these markets. While the issues are complex, the environment for real interchange is natural. Self interest in a commodity like milk may even lead to the motivation to trace through a box diagram. But that isn't the first item on the agenda the first day.

International Markets and Trade: The Primary Programs

Most programs which focus on agricultural trade and international markets do not draw a large audience automatically unless some current issue like a proposed embargo, a market order with a proposed deduction from producer sales for market development, or some trouble spot in the world creates special interest. Usually the audiences for such programs are well-educated, highly motivated people with a fair level of knowledge about trade issues already. The atmosphere for learning is good. But the potential to reach large numbers is small. Nevertheless, the response is likely to be strong and positive. Secondary use of any materials distributed at meetings may be substantial.

Audience

The most likely participants in sessions centered on trade and international markets are (1) lay leaders from church groups and professional organizations, (2) teachers, including some extension agents,

and (3) industry people with some involvement in international markets. Diversity in background and interests may be large. Motivation is likely to be high and willingness to read and work in a series of workshops or sequential schools is strong. Participation or interest from the media is less likely without some effort.

Methodology

Materials that work in a college classroom have more of a place in this kind of meeting. Assigned reading and some simple homework problems are not unreasonable. Parts of *Speaking of Trade: Its Effect on Agriculture* are quite appropriate in sequential sessions.

Understanding the principles of comparative and absolute advantage are important. One of my colleagues, Professor D. G. Sisler, is the primary author of a simple and happy example of production of two commodities and the gains from trade between Schultz and Dooley. This example, involving beer and pretzels, can be set up easily as a demonstration and if the group prefers the props can even be consumed. Starting with something relatively simple provides a quick review of basic concepts and a common point of reference for terms like OPPORTUNITY COST and TERMS OF TRADE.

It is not very difficult to move from beer and pretzels to the location of corn, wheat, and soybean production within the United States. For most commodities trade within a country as large as our own allows one to see the general principles of free trade at work. In fact using the United States as an example often helps one to see how transportation costs and marketing institutions influence production over time. One can also show how market barriers can be established even within a country and how particular interest groups seek to protect themselves from competition in what they see as their market territory.

Some procedures to involve participants in active discussion is always useful. A set of discussion questions may be one way to learn more about the level of knowledge of an audience. A controlled argument among members of a workshop can be useful if the discussion leader maintains control. We have had good experience using multiple choice questions in which three or four alternatives are listed. Participants are asked to rank the answers in terms of their degree of correctness. One of the advantages of this approach is the opportunity it provides to carry away both factual information and a usable set of teaching materials for later use.

A few, well chosen overheads or slides, such as those provided annually in the USDA's *Handbook of Agricultural Charts* provide focus for (1) discussion of trade in agricultural commodities and what it means to domestic producers and consumers, and (2) discussion of balance of payments problems and trading opportunities for LDC's and the richer countries of the world. Perspective on some of the very large numbers involved, particularly for people with a primary concern for

feeding the hungry or poor of the world, can be provided by a few, well-chosen diagrams. Providing photocopies of the key charts used in a presentation may be an important part of the educational process.

Concluding Observation

Creating understanding of international markets and trade is a complicated business. It is easy to oversimplify. It's also easy to befog the basic principles with jargon and acronyms. GATT is not a household word. But the intent of that complicated bargaining process is not so difficult. It's the procedures and trade-offs involved that befuddle people.

A conscious effort to have a trade component in most commodity programs may pay the biggest dividends in creating understanding. The nature of international markets and the key actors in consummating a purchase and sale deserve more attention than they have received. Trade is just a natural part of commodity marketing.