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RURAL CHANGE

The Challenge for Agricultural Economists

PROCEEDINGS

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Gower

WILLIAM A. CROMARTY

*Challenges for Agricultural Economists Working
for Multi-national Firms*

The fortunate characteristic of this topic is that it gives the author broad licence to comment on agricultural economists' activities. The difficulty of the topic is to confine the material to an area that is meaningful in terms of agrarian change and in particular as it relates to agricultural economists in multi-national firms. First, for purposes of this paper a multi-national firm is defined as an incorporated business having activities in more than one country. This does not necessarily mean having offices and processing facilities in more than one country, but it does require that international manufacturing or trading in agricultural commodities, or services, be carried on in two or more countries. Such activities may be firm to firm, firm to government, firm to state trading agencies, or the reverse of each of these. An agricultural economist is defined as an individual having a degree in agricultural economics.¹ This turns out to be a very restrictive definition since one is really interested in the functions performed in the agricultural economics area whether by economists or by others.

In accepting the invitation to present a paper on this particular topic, I realized that a considerable degree of self-analysis was involved. I also realized that it would be helpful to have an evaluation by other agricultural economists or senior management people employed by multi-national firms of what they perceive the challenges to be. To that end, I surveyed fifteen other firms, and twelve were gracious enough to reply to a questionnaire. The questions numbered seven and included:

- (a) numbers of agricultural economists employed,
- (b) how the numbers have grown over the years and why,
- (c) is their function staff or operational,
- (d) is there free movement from staff to operations,
- (e) are problems primarily national or international in scope,
- (f) what is the future of agricultural economists in your company,
- (g) what changes in training are recommended.

These firms were all in the size category where annual sales currently range from an excess of \$100 million to several billion dollars. A general summary of the answers follows, along with specific comments which may be more enlightening.

The average number of agricultural economists per corporation was six if one corporation is omitted. The range was zero to eleven. If one large corporation is included, the average increases to eleven.

The growth has been most rapid during the past decade. Since all corporations surveyed were involved with agricultural commodities or machinery, this growth, no doubt, reflects the increases in trade volume occurring during a similar period.

Most corporations (except for the one with many economists) reported that agricultural economics filled positions that were predominantly staff. These functions involved "information gathering and analyses" or as a "resource for the decision-makers." In those corporations where movement from staff functions to operations occurred, the results were deemed beneficial.

The freedom of movement from staff to operational or line positions varied. Several replies indicated agricultural economists were hired for staff positions and tended to stay in such positions even to the point of suggesting "dead-ending". Others indicated that mobility into operational functions depended primarily upon the "quality of the individual". Movement has become more pronounced in recent years. One company reported good results from moving people with training in areas other than economics, i.e., personnel, advertising, marketing, from operational positions into staff positions where the functions would normally be undertaken by agricultural countries. Of particular interest in this area was the response by a Japanese firm with headquarters in Tokyo, but having branch offices in many countries. Their activities involved manufacturing of agricultural commodities, marketing of the same, and trading on a world-wide basis in commodities. In accepting new employees, they ask all candidates to complete a written test. Those receiving the highest marks are then accepted into the firm. The interesting aspect is that, whereas, many of the resulting positions involve functions one might attribute to agricultural economists, the candidates come from all disciplines. They may have been graduates in law, engineering, electronics, literature, etc. No doubt the Japanese philosophy of remaining for a lifetime with the same firm has some distinct advantages when combined with this method of selecting candidates, since on-the-job training becomes a good investment. However, one must wonder if the significant successes reached by such firms is due to less emphasis on training in specific skills, in this case agricultural economics, and more emphasis in the blending of many disciplines as problem solving occurs.

It may appear redundant to ask if economists in multi-national companies work on national or international problems. All respondents answered that international problems were dealt with. However, several emphasized that this had become so only in recent years. The implicit deduction is that in previous years agricultural economists in a particular country worked on the national problems existing in that country while those economists in another country worked on the problems particular to that country.

There was unanimous agreement that use of agricultural economists in multi-national firms would increase. Perhaps it is natural, but the largest growth potential appeared to be with firms employing the greatest number of agricultural economists at present while little growth was expected where few economists are currently employed. There was particular stress here that growth involved the “availability of qualified people”, that “as long as colleges attract and train good people, openings will be available”, or “it depends on the calibre and expertise of the individual”, or “there is a future for people who can do good in-house analytical work”. Several respondents indicated that additions would be concentrated on those with advanced degrees.

The question regarding changes in training brought forth the greatest response in both variety and number of suggestions. Perhaps a direct quotation from a respondent can help focus on a pertinent area contained in most replies. “Most agricultural economists are unable to focus on practical objectives and the means of achieving them as opposed to stereotyped modeling where the emphasis is on the technique rather than on the answer needed.” This was a common criticism of people entering the field. Suggestions on improving the situation included:

- (a) “students need more case studies to show them approaches to decision making”,
- (b) “emphasis should be on problem solving, how to think it through, and then how to communicate it to others”,
- (c) “there should be work with business departments with, possibly, business internships, perhaps we need MBAs with emphasis in agriculture”,
- (d) “there is an over reliance on technical solutions and not a good enough grasp of the fundamentals of the problem” and “the cross fertilization between operations and staff is, therefore, desirable”.

Criticism was fairly widespread regarding a lack of problem-solving abilities. Perhaps for this reason the tendency also existed to consider agricultural economists in multi-national firms as “information gatherers”, “resources for decision-makers”, and less as managers involved in decision-making. However, it is obvious that several agricultural economists in multi-national firms have risen to high level executive positions and are involved in major decisions of the corporations. One can easily attribute this to their own personal qualities of leadership, initiative, and opportunity.

Several suggestions were made on additional emphasis for specific formal courses. These included:

- (a) agricultural policy, and especially the “politics of agriculture”,
- (b) business management, corporate finance, and accounting,
- (c) emphasis on risk analysis, commodity theory, and price forecasting methodologies,
- (d) communication skills,
- (e) international finance and international trade,
- (f) more emphasis on economics and less on mathematics.

Accompanying the suggestions were comments that the courses are available, but student selection suffers.

The above remarks concerning agricultural economists in multi-national firms are undoubtedly biased because of the sample selection, it being comprised of 10 of the 12 respondents with headquarters in the USA. However, time and availability of potential respondents were limiting factors. There is also no reason to believe that results in other areas of the Western world would be different.² We should not treat lightly the Japanese approach. The intermingling of disciplines, acceptance of on-the-job training, limited turnover of personnel, and above all, the acceptance of the most highly qualified candidates regardless of training (accepting that a written examination can provide such a determination) would seem to go a long way toward solving many of the criticisms directed at training programmes in the Western world. When questioned as to how they tackled specific technical problems, the Japanese replied that they used outside consultants for limited time periods.

The above section deals with agricultural economists working in multi-national firms but says little about the challenges they face. The next section changes abruptly. Views on challenges are entirely those of the author and in no way reflect answers received by co-operating firms. The viewpoint is that of an agricultural economist with a multi-national firm working with senior level management and other agricultural economists in multi-national firms. The time span of such experience is twenty years, and the breadth of experience involves the major grains, livestock, sugar, coffee, and cocoa.

THE CHALLENGES FACED

A major difficulty involved in writing any paper is to decide from which framework one is going to operate. In this particular case, one could operate from an historical perspective and attempt to enumerate in chronological fashion the accomplishments of agricultural economists in multi-national firms over the past fifty years. Not only would the data requirements for this be a great obstacle but the results would turn out to be sterile and self laudatory for the profession. A second approach would be to be descriptive of the functions performed by agricultural economists. If such functions serve a useful purpose, and these are the only ones in which we are interested, then obviously problems arise, analyses are conducted, decisions are made, and some responsibility assumed. Since agricultural economists are primarily involved in this problem solving area, the challenges are great. The most important single challenge in this area is to become a "decision-maker" rather than a "data gatherer". There are notable exceptions in multi-national corporations, but generally agricultural economists are regarded as resource people who gather and analyse data and make recommendations to management regarding courses of action to be taken. This should not be regarded as an unimpor-

tant function, and there are certainly challenges faced in performing these functions adequately. However, the contribution to any multi-national firm is substantially greater if one operates at the end of the spectrum which includes decision-making, implementing decisions in an operational sense, and accepting the responsibility for them. Most major management decisions involve the acquisition and evaluation of information from several disciplines, e.g., finance, transportation, accounting, engineering, political environment, etc. The challenge to agriculture economists is to have some competence in such areas or at least to be capable of acquiring and evaluating information from such disciplines in a decision-making framework.

A recurrent problem and one where agricultural economists can make a significant contribution is in developing a "decision-making framework". Marschak wrote that, "knowledge is useful if it helps to make the best decisions".³

There are two aspects of this upon which to concentrate, namely, what constitutes relevant knowledge and what constitutes a good decision. Multi-national companies tend to be pragmatic in their approach to solving problems. This is understandable. However, this does not mean one should be pragmatic about information since this tends to concentrate too much on past decisions, known information and stable institutional factors. Such knowledge is useful and should be incorporated into the total body of knowledge, but it is not necessarily the most relevant. The most relevant knowledge may be information with great uncertainty as to its accuracy, that which deals with the nature of changing structures where subjective judgements are necessary, or new information not yet developed or available. The challenge for the agricultural economist who is primarily a "data gatherer" is related to these latter categories. When "facts" are unknown, "best current information" is of great help. Evaluation of changing structure requires creativity – the antithesis of "stereotyped modelling". Developing information is an art. One must be able to judge its relevance, its accuracy, its availability, and its cost.

The second aspect, or what constitutes a good decision, is a more difficult and complex problem. Problems in multi-national corporations are varied in nature, in importance, in ease of solution, and generally are of a continuing nature. Most have little time for formal definition, require decisions within time periods all too constrained, and many are settled on the basis of pragmatic information described above. Sometimes there are no alternatives. However, it is important to determine if alternative means of reaching solutions exist. For instance, if masses of data must be continually examined before a decision is reached, do you use computers to put the data in a more meaningful form; if faced with multi-office communication problems, do you change the technique of communication; or if a particular problem arises continually with repeated snap decisions, each treated independently, do you develop a decision process that can be "conditionally automated", i.e., if this occurs, then do this?

Again, these are the types of decisions that are relatively easy to

handle. The relative ease is associated with the pragmatism of decision-making in multi-national corporations; namely, that internal policy dictates that profit maximization or cost minimization is the basic focus. It may be easy for those outside multi-national corporations to be critical of a goal which concentrates on monetary values but any other goal is often impossible, especially if one also believes in longevity of service.

But there are a group of problems where other values may have to be considered and certainly where less pragmatic approaches are necessary. This gets into the policy area or the strategy area. Usually associated with this area is a greater need to bear responsibility for one's actions and to develop mechanisms to make strategies operational. This point of separation is where many agricultural economists have either feared to tread or failed to tread. It is reflected in the responses of a majority of the companies that agricultural economists are not trained to be decision-makers. The decision-making implied here is in the area of "strategy", "policy", "normative analyses", or perhaps other terms. It involves competence in several disciplines, communicative abilities, personal attributes of creativity, initiative, ambition, etc., and certainly an ability to outline problems whether formally or informally, determine what information is necessary, reach a decision and bear the responsibility for its execution and results. The problems faced by multi-national corporations of this type, and where there is an expectation that training in agricultural economics can be helpful, include, but are certainly not limited to, the following, singly or jointly: commodity prices, income and expenses of related farm enterprises, commodity agreements, agricultural policy and its impact on all major groups affected, international exchange rates, inventory control, future markets, and in recent years an important group including government monetary and fiscal controls, controls imposed by government regulatory agencies, and controls imposed at the discretion of government administrators.

Solutions to these problems, even including the latter group, always have an element of pragmatism involved, but more often it involves heavy doses of normative analyses, i.e., what should be. Perhaps examples would help in clarification.

International commodity agreements have been upheld as instruments to provide price stability and subsequently income stability of producing groups. The basic mechanism for achieving this is generally export quotas for producing members, perhaps accompanied by buffer stocks. Academic and government economists may view such agreements favourably because of the welfare concepts involved. Yet, if trade volume, which is about to be restricted, is of major importance to a trading firm, what should the position be of that corporation's economist? Obviously, conflicts arise even though the same economic principles are used by all parties. Or what should the response be to a consuming corporation if such agreements increase prices? It is difficult to propose to management any solution which puts welfare concepts first at the expense of the corporation's potential profits.

Situations have arisen in which acreage restrictions, whether mandatory or voluntary, have resulted in smaller supplies and subsequently higher prices. Again this may limit trade volume because of supply shortages or competitively higher prices, or may result in consuming corporations suffering substantial increases in ingredient costs. The "goodness" or "badness" of such actions depends upon one's relationships to the market. Should corporation economists take academic economists to task because their evaluation of potential results from proposed policies differ sharply? Seldom do such policies permit Pareto-better adjustment, where no involved party suffers injury.

A particular challenge facing agricultural economists in multi-national corporations is that area of problems associated with government policies, or more particularly how administrators administer legislation. Reference here, by necessity, is confined to the USA, but affects other countries and very often multi-national corporations.

One challenge presents itself in the formation of legislation or the formation of policies by government agencies under existing legislation. In many such instances, economists should be willing to drop pragmatism in favour of principle. Yet there is a great reluctance to do so. The press regards with great disfavour any attempts by corporations or trade groups representing corporations to shape legislation for their benefit. Such adverse publicity can be damaging to a corporation or to individuals within a corporation, and, therefore, an input of most importance can be lost to the formation of good legislation. Businesses, and economists within them, should be willing to concentrate on economic principles and to defend the "goodness" of such principles. They must also develop a consistency of approach. Political positions of corporations cannot simply be opportunistic with short run horizons, and the public interest must be allowed for. If businesses develop a positive and consistent approach toward legislative matter rather than an attitude of acquiescence to legislation shaped without their involvement, there might be less necessity for regulatory agencies to dictate policies in the area of trade, pollution, safety and health, controls over food, etc. Businesses do have rights and prerogatives which should be nurtured and protected in the shaping of legislation. Agricultural economists with multi-national firms can do much in this area if they have knowledge and a capability for decision-making.

An associated area, but one of even more sensitivity, is the administering of legislation. Government power is inordinate. This, coupled with the fact that when problems arise the problem statement is generally defined by government personnel, can cause business serious difficulties. Often business acquiesces to uneconomical demands by administrators out of a sense of frustration, fear of retribution, or because there is a feeling that yielding on lesser issues will result in a more co-operative attitude by administrators on more important issues. None of these reactions by business can be considered as desirable solutions to problems but again pragmatism may overrule principle. For instance, if gov-

ernment policies are a cause of inflation, then business endorsement of voluntary wage and price controls to restrict one's business is not only uneconomic, but is tacit admission that business is responsible for inflation. This example is even more illustrative when the courts have not decided whether or not such wage and price controls are constitutionally permissible. The power of the administrators in forcing compliance is fearful. If a multi-national company has two divisions, one of which is greatly reliant on government contracts, and one which operates on a small scale in the domestic consumer market, then the threat of withholding government contracts places pressure for absolute compliance on the smaller division, regardless of any economic principles one may wish to pursue. When executives of multi-national grain firms are summoned to the Executive Branch and asked to cancel sales made in all good faith one wonders in such cases at the normative nature of the problem statement, the information required to solve it, and the decision-making rules involved. Execution and responsibility are borne in any case.

Multi-national corporations who are critical of the manner in which programmes are administered can suffer severe consequences, even though the criticism can be justified on grounds of welfare and economic efficiency. If government staff regard themselves as dispensers of privileges, then criticizing them, especially publicly, can result in the withdrawal of such privileges, lack of co-operation by staff, and even litigation. This is no area for the faint-hearted. Yet it is an area in which multi-national companies find themselves, where the problems have strong economic connotations and where agricultural economists could play a role. It is not the bailiwick of the "data gatherer". It is the arena of the decision-maker. While the execution and the responsibility must be borne by the corporation, the decision-making step is the crucial one. If corporate policy dictates a pragmatic approach as against principles, then problem solutions may be simpler. The economists' input should help in deciding what the corporate policy should be.

It would be a simple matter to indicate specific problems which multi-national companies face, and for the pragmatic young people looking for a future with multi-national companies, this may appear useful. Problems of crop and livestock production, grain storage and transportation, trade policy, demand shifts, influence of climatic factors, inflation, government monetary and fiscal policies, energy, price forecasting, interest rates, are but a small sample. The list is not important because it is everchanging. The important factors are the knowledge to evaluate such problems as they arise and a decision-making capability to solve them.

If there is a central message in this challenge, it is for agricultural economists to lift themselves from the "data gathering" function to the "decision-making" function. For those who remain in the data area, there is a need to be more creative and less pragmatic toward data gathering and analyses. For those in the decision-making area, one must be able to help shape corporate policy, make decisions, and make decisions become operational. It requires a capability in several disciplines, or at a

minimum an ability to evaluate information from other disciplines.

In the current era, multi-national corporations have been subjected to intense criticism by government agencies, the press, consumer groups, private economists, and others. Perhaps some of it is justified. On the other hand, there are few, if any, champions of the contributions they have made – contributions not matched by comparable public or state trading agencies. Future contributions, and they will be made, will depend upon the human element, upon well qualified, creative people with self initiative. There is a place for agricultural economists to be an important part of this group.

NOTES

¹ At least one respondent regarded an advanced degree as the definition pertinent to his answer.

² Other industry economists have reported on the role and training of agricultural economists in industry. See in particular, Kolmer, L.R., "Opportunities and Responsibilities of Agricultural Economists: A General View", *Amer. J. Agr. Econ.*, 57 (1975), pp. 778–81. Sparks, W.R. "Preparing the Undergraduate for the World of Work: Perspective From The Grain Trade", *Amer. J. Agr. Econ.*, 57 (1975), pp. 788–90. Luby, P.J. "Preparing the Undergraduate for the World of Work: Perspective From the Meat-Packing Industry", *Amer. J. Agr. Econ.*, 57 (1975), pp. 791–5. Erikson, C.E. "The Role of the Agricultural Economist for Industry", *Amer. J. Agr. Econ.* 57 (1975) pp. 879–82. Brunthaver, C.G. "Agricultural Economics as an Aid in Management Decision Making", *Amer. J. Agr. Econ.* 57 (1975), pp. 889–91.

³ Marschak, J. *Studies in Econometric Method*, Wiley, New York 1953, edited by T.C. Koopmans.

DISCUSSION OPENING – WILHELM HENRICHSMEYER

When I first read the topic of this paper I wondered which specific aspects of challenges for an agricultural economist working in multi-national firms might be discovered. Mr Cromarty must have felt this, when he writes in his first sentence that the topic gives him a broad licence to comment on agricultural economists' activities. He uses these opportunities widely in his paper to the benefit of this session, which might have been rather meagre if he had held narrowly to his topic.

In order to discover the challenges to agricultural economists working for multi-national firms Cromarty uses two kinds of approach: on the one hand he makes use of a questionnaire to a number of multi-national firms in the US; on the other hand he relies on his own judgement as an agricultural economist, who has broad and long standing experience from his work for multi-national firms. The results of the questionnaire inform us mainly about some facts, such as numbers of agricultural economists employed, their positions in staff and decision-making, etc. This information can be useful for agricultural economists looking for a job and as a background for teaching programmes, but there is not very much to discuss about it.

The results of the questionnaire with respect to the chances for agricul-

tural economists are rather general, e.g. when it is summarized that openings will be available if the colleges attract good people, or that it depends on the personality of the individual. I suppose that the answers would not be very different if one had asked about the changes in any other profession or field.

In the same vein the proposed changes in the training of agricultural economists do mainly contain those points that most demanders for agricultural economists would put forward and – as I suppose – most teachers of agricultural economists all over the world are aiming for, such as to get a good grasp of the fundamentals of a problem or to have problem solving teaching instead of stereotyped modelling. The suggestions for new specific courses are so broad that they can hardly give a base for a discussion of teaching programmes.

So Cromarty can rightly conclude that there is no reason to believe that the results of the questionnaire would be different in other areas of the western world. I do not even suppose that managers of other kinds of firms or institutions would give significantly different answers. Possibly one might even have known most of the answers in advance.

The most informative and discussible points of the paper seem to me to be Cromarty's personal remarks and judgements about the activities and chances of agricultural economists in large business firms. He informs us in great detail about the functions of economists in the data gathering and in the decision-making areas as well as the educational and personal requirements for entering higher ranks. Many of the points will not be very new for most of us; but it is good to have these requirements expressed and confirmed by a person who has a long standing experience in the management of large firms.

The operational question for the profession of agricultural economists is, however, to translate these challenges into the training and research programmes of our universities. Therefore questions have to be answered of the following kind. How much of the scarce time of a student of agricultural economics should be devoted to the general background in economic theory, to analytical tools and to problem oriented applications? And with respect to the latter: should this be done in the form of case studies or by a more general policy analysis approach? These questions are beyond the scope of the paper, but might be taken up in the discussion.

A further question which Cromarty takes up deals with the conflicts of an economist between the specific goals of the firm he is working for and the general socio-economic goals of society. But these conflicts are not specific challenges to agricultural economists in multi-national firms. Usually the interests and goals of economic agents – whether they are private or public – will diverge from general “welfare-maximization”, however this might be defined. Cromarty advocates a continuous and cautious way of pursuing long run goals. But even if they were doing so, nobody would expect that larger multi-national firms were striving for Pareto-like solutions. It will be a perpetual public task to limit and control

the economic power of very large enterprises as well as of administrators of government agencies, to which Cromarty is referring in his paper. But this opens up a wide field of discussion which might be beyond the scope of this session.

**GENERAL DISCUSSION – RAPPORTEUR:
B.L. GREENSHIELDS**

The role of agricultural economists in multi-national corporations (MNCs) was discussed, both from the perspective of the MNC and the economist. The MNC views the economist at the one extreme as window dressing and at the other as a key adviser to top management. The MNC requires a multi-lingual economist who can communicate the results of complicated analysis in simple language.

The agricultural economist views the MNC at one extreme as a dead end job of data collection and at the other as an opportunity to get into management. Professional rewards are few and authorship is usually not indicated on MNC reports prepared by economists. MNC create conflicts between economists, national interests and corporate interests.

The paper was criticized for the small sample of mostly US MNCs from which references were made. There was also a question as to the logic behind cross-fertilization improving economists' grasps of fundamentals. An alternative hypothesis was suggested that cross-fertilization would ensnare the economists in short run issues and impede in-depth, long range research.

Participants in the discussion included Adolf A. Weber, Clark Edwards, Chester W. Smith, James A. Akinwumi, Jim Johnston and Ben I.B. Warmenhoven.