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INTERNATIONAL COOPERATION IN THE FIELD OF MARKET REPORTING

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There is no doubt that the financial returns from farming depend as much today upon efficient marketing as upon efficient production. Therefore, the farmers of today must not only be efficient producers, but they must market their products to the best possible advantage if they are to make a success of their business. Since the farmer, located far from business centers, is almost always more poorly informed regarding markets than is the buyer of his products whose office is either situated in a large city or in close connection with the leading markets, the education of the farmer in marketing has become one of the most important problems of the present time. It is of particular importance in the greater part of Europe where the farmers, who in pre-war times had little trouble with the merchandising of their products and therefore totally neglected this branch of farm management, are now placed in competition with farmers from all over the civilized world.

In order to enable the farmer to compete on equal terms with the buyer, who naturally wishes to buy as cheaply as possible, it is necessary:

1. To secure for the farmer the same information concerning general and special market conditions as is available to the buyer.
2. To educate the farmer to a point where he is able to make practical use of this information.

The second task is one of education and the methods by which it can be successfully accomplished in the different countries will depend in large part upon the degree to which the farmers in each country are accustomed to making use of marketing information at the present time. The first task, however, is one of organization.

As long as international commerce continues to be carried on in its present form and continues to be as important as it is today, it will be necessary for the farmer to be familiar not only with market conditions and developments in his own country, but also with developments in the international markets. That is why the
first problem mentioned above is, and in the nature of the case, must be, one of international organization.

Up to the present time, an international organization for supplying the farmer with practical market information has never existed. The International Institute of Agriculture at Rome is doing only scientific work. Its publications cannot be understood by the average farmer and are always issued so long after the period to which the reported data apply that the individual farmer cannot make use of the information in the solution of his current marketing problems.

Have no fear that I am going to suggest the formation of a new international organization for taking over the practical work of market reporting. One can organize a system for international market observation and reporting without founding a new association and without engaging additional employees or spending more money. This can be done through the international cooperation of all those offices and bureaus which are already working in the field of market reporting in the different countries. The necessity for some such system of cooperation is becoming greater and greater. I shall now try to show some of the principal ways in which such a system can be instituted and operated.

I believe that three questions are especially important:

1. What is the object of international cooperation in the field of market observation and reporting?
2. What offices or bureaus shall cooperate in this work and how shall the system operate?
3. What are the advantages, or perhaps the disadvantages, of such cooperation from the standpoint of the individual countries?

In treating the first question—the object of international cooperation in market observation and reporting—the field is so broad that it is only possible to roughly outline it and to show, with a few examples, the necessity for international cooperation.

The first thing the farmer needs is reliable current information concerning the prices paid for his products on the principal markets of the world. It is known that price fluctuations today are more than twice as great as they were before the war. It is not necessary to investigate the causes of this fact here; it is sufficient to state the fact. The prices of agricultural products not only fluctuate from day to day, but with some products, as for example, fruits and vegetables, the price at the end of the day may be only
one-half as high as it was in the morning or even at noon. Consequently farmers must not only be informed every day, but if necessary, several times a day, concerning actual prices. Since domestic prices are determined, not only by conditions existing in the domestic market, but by developments in foreign markets as well, it is absolutely necessary that the farmer be informed of price movements in foreign markets.

A few examples may serve to illustrate the above point. The first question of the German grain dealer when he enters his office in the morning, and the last question before he leaves the office in the evening, concerns grain prices in Chicago, Winnipeg, Buenos Aires, and other American grain markets. If these prices have changed, he changes his business tactics accordingly. The farmer must also have this information if he is to bargain on equal terms with the buyer.

The dominant butter market of Europe is Copenhagen. If the German butter dealers hear from their Danish friends that the price of butter has gone up, they immediately telephone the neighboring dairy plants, or drive to them in their cars, and buy all the butter obtainable. They can usually buy to advantage, since the managers of the dairy plants are not yet informed as to the important changes that have occurred on the Copenhagen butter market. Numerous other examples of a similar nature might be given.

"But," you may ask, "what has all this to do with international cooperation in market observation and reporting? Anyone interested in foreign prices can obtain them as quickly and as accurately as can the dealer." The difficulty is that the cost of getting such information is at present so high that the farmer, or even a farmers' organization, cannot afford it. It is one thing for a dealer who buys and sells every day to pay for a market reporting service, and quite another thing for a farmer who sells his principal products but once or twice a year to pay for such a service.

The possibilities and value of international cooperation in the field of market reporting may be illustrated by an agreement between my institute, Preisberichtstelle beim Deutschen Landwirtschaftsrat, Berlin, Germany, and the Empire Marketing Board, London, England. We cable to the Empire Marketing Board, changes in the price of butter on the Berlin market, which information they disseminate to the British farmers. In return for this,
they furnish us with weekly figures concerning the supply of grain and dairy products on the British market. Each party pays telegraph charges and other expenses, but each saves the expense of collecting the necessary information. When it is realized that the expense of collecting such information is very high, and that my institute, for instance, is paying more than 50 dairy and vegetable reporters in foreign countries, in addition to grain and livestock reporters, the advantages of such international agreements for the exchange of market information are at once apparent.

However, reports are only the beginning of market observation and reporting work and much additional information is necessary to supplement them. Price reports are not sufficient. Even if a farmer has reliable current price reports available, the question as to when he shall sell his products still remains to be solved. In Germany, few farmers sell when prices are going up, for everyone thinks that prices will go still higher and that he will lose money if he sells today. On the other hand, when prices are falling, all the farmers try to sell because they are afraid that prices will go still lower the next day. To prevent them from following such marketing policies, it is necessary to give them, in addition to the price reports, special explanations of the character of the market and the factors which led to the price changes reported.

Such reports already exist, but they are for the most part reports of the dealers themselves. Just here is where a difficulty arises. An explanation of market movements which is sufficient for the successful running of a dealer’s business is not satisfactory for the farmer. He must have a report which sees market movements with “agricultural” eyes rather than with the eyes of a dealer. While the dealer is interested only in the margin between buying and selling prices, that is, in relative prices, the farmer is interested in the actual or absolute level of prices. He must, therefore, be informed relative to all the factors related to the price changes reported. He is interested, for example, in knowing whether or not the price on a given exchange was determined under the influence of a valorization of stabilization operation. The usual trade reports do not furnish the answers to such questions.

I must confess that I do not believe that the men engaged in trade are as keen-minded as they are commonly reputed to be. The following example may serve to illustrate my point. When the famous McNary-Haugen Bill, which, I might add, was famous
in Europe as well as in this country, authorizing the United States Government to pay export bounties on certain agricultural products in order to get rid of the surplus, the prices of those products in the United States naturally went up. And what was the reaction of the European grain trade to an increase in grain prices brought about in this fashion—the grain trade which is generally credited with being highly intelligent? They bid prices up in Europe because “America had gone higher.” European grain prices blindly followed the development of prices in the United States although prices in the United States went up only on account of an expected artificial restriction of the domestic supply which was to be brought about by increasing exports, to Europe and elsewhere, through the payment of export bounties. The actual carrying out of such a scheme would naturally have tended to depress European grain prices rather than to increase them. Examples such as the above serve to illustrate the necessity of explaining to farmers the real relationships involved in particular market situations.

Another example may serve better still to illustrate the necessity for, and the possibilities of, international cooperation in market reporting. In almost every country it is difficult to judge as to the significance of the prices reported on the principal markets. The quantities of produce sold in the country districts are sometimes much greater than sales on the market from which quotations are issued. All of the facts are not available. Some years ago the New York Cotton Exchange began to publish figures showing the weekly volume of sales. If I remember correctly, these figures showed that an amount of cotton equal to the total yearly cotton production of the United States was sold on this one exchange within a period of one or two weeks. A storm of protest broke out, and furious attacks were directed against speculation in cotton. The New York Cotton Exchange stopped publishing the figures. That strikes me as rather a queer remedy to have used. If the temperature is too hot or too cold, the destruction of the thermometer can scarcely be expected to remedy the situation. The action of the New York Cotton Exchange was just about as logical as that: to get out of a disagreeable situation it stopped publishing figures which indicated nothing more or less than what was actually going on.

It is important that farmers know the quantities of products
sold as well as the prices for which they sold. In Germany, for example, the most important produce exchange is at Berlin. Many sales are made in other parts of the country based largely upon prices fixed on the Berlin Exchange. It frequently happens that the price of grain quoted on the Berlin Exchange is based on sales of as little as 30 tons of grain. On the same day, however, sales of grain in the country may amount to 10,000 tons or more, and the price at which the larger quantity sells in such cases is largely determined by the price at which the smaller quantity sold. The price at which the smaller quantity sold may be largely a matter of chance. In varying degrees, the same conditions exist in almost every country. Furthermore, it applies not only to the grain markets but to the markets for all classes of agricultural products. I believe that it is always important that all of the facts relating to a given market situation be made available, and that great advantages are to be gained for the farmer through the development of a more complete market reporting service.

The only remedy for the above situation is to compel the administrations of the various markets to publish figures showing the quantities of products sold as well as the prices. Farmers could then determine for themselves whether or not the quantities sold were sufficiently large to establish representative prices. Here then is an opportunity for international cooperation in improving our market reporting service, since the condition referred to above exists in the markets of practically all countries and it is becoming more and more important that we have reliable price quotations from all of the important markets of the world.

There is need for a systematic study of the factors affecting prices in order that we may more clearly determine the relative importance of these factors. Theoretically, of course, we know what the factors are, but such knowledge is of little practical use to the farmer. He needs to know the relative importance of each factor, and furthermore, he must be kept informed at all times of changes in conditions affecting any particular factor. Take, for example, the question of the supply of a certain product on a given market. Data relative to carlot shipments consigned to a particular market are of little value to the farmer unless they are made available before the shipments arrive. The possibilities of international cooperation in making such data available may be illustrated by the following example: Italy is one of the most
important exporters of fruits and vegetables in Europe. Large quantities of such products are sold on the German markets. Through a cooperative arrangement we are informed of carlot shipments of Italian fruits and vegetables consigned to German markets two days before the trains reach the German boundary. When the trains pass the tunnels of Brenner and Chiasso we know not only the quantities of oranges, cabbage or spinach coming into Germany, but also the market to which they are consigned, and the quality of the products in question. We are in a position, therefore, to inform our farmers in advance of the fact that on a given day the markets of Munich or Leipzig will be overloaded with Italian fruits or vegetables. The German farmers are enabled thereby to choose a more favorable day for shipping their products to these markets or to ship to some other market where the competition from Italian products is not so keen. Such an arrangement has its advantages from the standpoint of the Italian growers as well, since there is less likelihood of their products running into strong competition with German products. I am convinced that marketing information of this type is very useful to growers and to farmers' marketing organizations.

There are many other factors affecting demand and supply for different products concerning which information from the countries involved would be of great use to the farmer. However, I shall cite only one other example, and this only because of its great importance. The Bureau of Agricultural Economics of the United States Department of Agriculture began the practice of asking farmers regarding their intentions to increase or decrease their production of crops, livestock, and livestock products. We studied the system in this country and developed a somewhat similar system in Germany. It is my opinion that the development of such statistics on an international basis may be one of the ways of solving the international surplus problem. If such figures were available for every country, for example, prior to the time that crops were planted, they might influence the final decisions of the farmer.

I realize that the value of such data must not be over-emphasized. If in Germany, for example, we issue livestock statistics and advise our farmers to stop pig-breeding for a time as the figures indicate a probable over-production of pigs, some of them
will follow our advice. Others will take exactly the opposite course, reasoning that if a large number of farmers follow our advice the market for pigs is likely to be good. Even so, I believe that such statistics are of the highest value.

The above examples illustrate the possibilities of international cooperation in the field of market observation and market reporting. They make it clear that the field is a large one. The earlier we begin work, the better for the farmers in the various countries.

We may now turn to the second of the two questions raised at the beginning of this paper, namely "What offices or bureaus shall cooperate in this work (of market observation and market reporting) and how shall the system operate?" Naturally, everyone should be welcomed who has anything to contribute. However, there are differences between the various offices, bureaus, and organizations which cannot be overlooked. The only international organization publishing agricultural statistics at the present time is the International Institute of Agriculture at Rome. The governmental offices of the various countries connected with the Institute make reports to that organization which in turn publishes them in the official reports of the Institute. As I have already pointed out, these reports are of greater scientific than practical value. That is not the fault of the Institute but of the system. In the first place the majority of governmental bureaus function more slowly than do the offices of private businessmen. It must be borne in mind that in market reporting, speed is essential as well as reliability. Furthermore, government reports can only be released after the most careful investigation of all of the facts, for a government cannot publish a report with the comment that it has not as yet been proved true. But news of this sort frequently has a great effect upon the market. Rumors and vague reports often influence prices materially. Farmers must be furnished with news of this character as well as with reports based upon careful investigation of all of the facts. A rumor of a crop shortage, for example, may influence prices considerably. Information of this sort must be published, and this can be done much better by a private than by a governmental agency.

Organizations engaged in the marketing of agricultural products may possibly be found useful in the work of market observation and market reporting. The cooperatives especially must not be
neglected. It must be recognized, however, that the interests of 
the dealer and of the farmer frequently conflict. For example, 
the Institute with which I am connected wished to install a radio 
market reporting service in a particular section of the country. 
We approached a cooperative association and asked for permis­ 
sion to install equipment, at our expense, in their local offices. 
We were refused such permission with the following comment: 
"If the peasants are kept informed, what will become of us?" Of 
course, such an attitude is not typical. Most of our cooperative 
associations strive to look after the best interests of the farmer. 
In last analysis, however, they are always either sellers or buyers 
and for this reason can scarcely be expected to look at the market 
in the purely objective and independent manner which is neces­ 
sary if the farmer is to be supplied with unbiased reports. 
Special organizations for collecting and disseminating market 
information seem to offer the only satisfactory solution to the 
problem. Such agencies are being established in many countries. 
In Germany, for example, we have three such agencies. Two 
of these are scientific institutes which are primarily interested in 
general market conditions while the third is designed to furnish 
the farmer with market information which will be of assistance 
in solving his practical problems. Similar agencies exist in Norway, 
Switzerland, Denmark, Austria, Hungary, and Italy. As private 
agencies, they are organized to disseminate marketing information 
promptly. Their staffs are made up of marketing experts who 
neither buy nor sell, and their reports are therefore objective. If 
offices of this sort in the various countries were to cooperate for 
the purpose of supplying each other with reliable market infor­ 
mation, farmers in all of the countries concerned would benefit. 
We come now to the third question raised at the beginning of 
this paper, namely, "What are the advantages or perhaps the 
disadvantages, of such cooperation (cooperation in market ob­ 
servation and reporting) from the standpoint of the individual 
countries?"

Some people may be of the opinion that it is not to their own 
best interests to inform foreign countries concerning market con­ 
ditions in their own country. I do not share such an opinion. If 
anyone is really interested in getting such information he will 
get it in one way or another. Up to the present time, for example,
our information concerning the policy of the Federal Farm Board in this country has been supplied by our own representatives on the principal markets. We have even been informed regarding the agreements between the Farm Board and the different milling-plants. I am sure that Americans are informed concerning conditions on the German markets in much the same way. If we are securing such information anyway, I believe it would be better to inform each other directly for three reasons: First, it would be cheaper for both parties. Second, the information would be more reliable. Third, it would look better. Even the fact that an office in one of the many countries might not be interested in furnishing reliable information regarding market conditions in that country should not prevent the establishment of such a cooperative arrangement. Conditions could not be worse than they are at present. You all know that we have in most of the principal grain-growing countries, a species, not of weather reporters, but of "weather makers." Their reports are not based upon fact but upon their own desires. They first report rust. If this does not influence the price, they report frost, and finally such things as the mysterious "ash rains," reports of which have come from South America during the past few years. At the maximum, not more than one per cent of the buyers and sellers of grain believe such reports. An agency organized for market reporting could not afford to follow any such policy since to do so would result in its losing its reputation. Furthermore, it is hopeless to attempt to influence the market by incorrect reports for more than a very short time. Eventually, the originator of such reports is disadvantaged considerably more than is the public at large.

A number of European countries have quite recently arranged to cooperate in the collection and dissemination of marketing information. This arrangement was brought about through the Council of the International Agricultural Commission to which most of the countries of Europe belong. The headquarters for market information concerning grain, potatoes, and so forth is in Germany, for dairy products, in Switzerland, for vegetables, in the Netherlands, for wine, in France, and so on. Information concerning market conditions and developments is assembled at headquarters for the commodity in question, and a report is then wired or sent by radio to the corresponding offices of the countries co-
operating. These offices in turn broadcast the information to their farmers. I am convinced that such an arrangement is a first step in the right direction. Lack of adequate information concerning market developments is one of the great handicaps under which practically all farmers labor.