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AUSTRALIAN AGRICULTURAL ECONOMICS SOCIETY AWARDS 1989

PH.D. THESIS PRIZE

The prize was awarded to I. Coxhead for a thesis entitled 'Technical progress in agriculture, income distribution and economic policy: the Philippines, 1950–80', submitted to the Australian National University. A special mention was given to P. J. Gunawardana for a thesis entitled 'Rice pricing and marketing policies in Sri Lanka, 1952–1984: a welfare evaluation', submitted to La Trobe University.

Thesis Abstract

Successive Philippine governments since world war II have pursued a development strategy predicated upon industrial growth. Through such policy instruments as exchange rate overvaluation, tariffs on imports of consumer goods, and export taxes on agriculture, capital has been directed into industry, and especially the manufacturing sector, both from abroad and from out of agriculture. The growth of the protected industrial sector has been achieved at the cost of periodic trade balance crises, and a persistent maldistribution of income between rural households (which are largely dependent on agriculture) and their urban counterparts.

Within the agricultural sector, public investment, subsidies, credit programmes, research and extension have been focused on food crop producers in the most favourable (irrigated) agricultural areas, especially those in the Manila hinterland regions of Central Luzon and Southern Tagalog. Agricultural producers in less well developed regions have been doubly taxed: once by the economy-wide bias against agriculture, and a second time relative to other agricultural producers by the 'irrigation bias' of public spending on agricultural development. A faster rate of technical progress in the areas favoured with better quality land endowments and public policy support has further disadvantaged producers in other agricultural areas by driving down real product prices and raising the real prices of mobile factors. Empirical partial equilibrium analyses of the distributional effects of new technologies have failed to capture these indirect costs of technological innovation.

In this thesis, a simple Johansen-style general equilibrium model is developed for the analysis of changes in prices and technology in stylised well-irrigated and poorly irrigated agricultural environments. The model's parameters of agricultural factor demand, supply response and technical change are estimated from Philippine data. Hypothetical and empirically measured technical change shocks are applied to the model. In this way, the *ceteris paribus* effects of technical progress are assessed for their impact on wages, sectoral employment and factor intensity, and the functional and household distributions of income.

MASTER'S THESIS PRIZE

The prize was awarded to I. Havrila for a thesis entitled 'Product characteristics and pricing of woollen garments at retail in Melbourne', submitted to La Trobe University. A special mention was given to

D. Thompson for a thesis entitled 'Pig meat inspection in Australia: an economic analysis of the human health benefits', submitted to the University of New England.

Thesis Abstract

The 'characteristics' approach to consumer behaviour is investigated. According to the theory, the source of consumer utility is not products *per se* but their characteristics which consumers value. Since its development by Lancaster this approach has been tested in a number of fields. Its major contribution has been recognised mainly in price adjustment to quality changes, where quality is viewed as a set of definable characteristics relevant to the value of the product.

In this thesis, the contribution of the new theory to improved understanding of retail pricing practices is investigated. The empirical research is restricted to selected women's and men's knitted garments. Using simple statistical methods, the parameters of models, based on the work of Ladd and Suvannunt, were estimated using the cross-sectional data collected from 32 retail shops in Melbourne.

A broad concept of the 'product' is adopted based on the postulate that consumers consider not only the product *per se* but also the characteristics of the shopping environment. Together these characteristics create the 'image' of the retail shop, in terms of quality, price, assortment and retail services, which influences the place of purchase of a product by consumers.

Two groups of characteristics were considered: objectively measurable (fibre composition and weight) and non-quantifiable (fashion and style characteristics, knitting process, method of yarn processing, care requirements, country of manufacture, shop characteristics and shop location).

The estimates support the postulate that consumers evaluate jointly characteristics of product, shop and location; together they appear to provide a reasonable explanation of the level of prices paid for garments. They may therefore serve as a guide to retailers in the identification of their market niche. Furthermore, the estimates may be of benefit to manufacturers' and to the wool industry's promotional and production strategies.

The results of the research are consistent with the view that rational retailers aim their activities at the provision of a selection of characteristics (product and consumer service) such as fibre content, style characteristics, country of manufacture which are valued by consumers and which allow them to charge the prices which help to secure their profit. Because of a confirmed hierarchy of both consumers and retailers in the market, it appears to be not always beneficial to offer the characteristics of top quality. It appears to be more important for a retailer to decide *a priori* his target position in the market and in accordance with this to provide a mix of characteristics including price levels which best suits the target clientele.

UNDERGRADUATE PRIZES

A. Allsop (University of Melbourne)
J. Brakey (University of Sydney)
M. Buckby (University of Adelaide)

G. Crimmins (QAC)
G. Gow (University of New England)
N. Jollands (Lincoln University)
M. McGregor (La Trobe University)
K. Owen (University of New England)
S. Phillips (University of Sydney)
G. Priebbenow (University of Adelaide)
S. Rogers (University of Queensland)

JOURNAL ARTICLE PRIZE

The prize for the best article published in the *Australian Journal of Agricultural Economics* was awarded to J. D. Mullen, J. M. Alston and M. K. Wohlgenant for the article entitled 'The impact of farm and processing research on the Australian wool industry' published in Volume 33(1), pp. 32–47.