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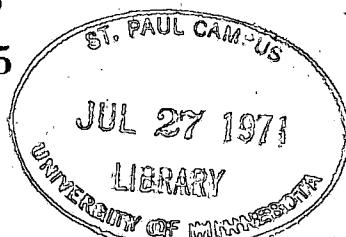
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GROUP 3 (c). MARKETING, DEVELOPED ECONOMIES

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Market development

The group's discussion of market development centred on questions related to advertising and promotion.

The consensus of view was that the greater the differentiation of brands and product forms, and the greater the price elasticity of demand and the cross elasticity of demand, the more effective the advertising will be. However, some doubted whether the cumulative effects of total advertising of farm products give much benefit to farm producers in the domestic market. The gains achieved for one commodity are often at the expense of another. It was agreed that more evaluation and measurements are needed of the efficacy of advertising.

The group discussed various aspects of advertising and promotion in relation to consumer welfare. It was generally agreed that the advertising is beneficial for introduction of new products and that it does have some information values in helping the market perform better its arbitrage function. But it often gives misleading information.

The influence of advertising on consumer quality assessments was considered. It was not easy to draw boundary lines that discriminate between what some economists would consider beneficial information and education for individual consumers and others would class as undesirable persuasion. However, the view was expressed that advertising could be so closely regulated that needed innovation and market expansion in an enterprise economy could be stifled.



GROUP 3 (c). MARKETING, DEVELOPED ECONOMIES

First row, left to right:

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The group concluded that the purpose of advertising is, after all, to increase sales, which will contribute to the overall economic objectives. The primary task of the economist is not to make judgements on the ethics of advertising, but to do research on its effectiveness.

In the future, because of more competition for the more-affluent consumer's dollar, agriculture may be forced to participate more in marketing development activities that are psychologically oriented.

With increased specialization in agricultural production, economists also will be forced to give attention to problems of commodity interests, as well as to the effects of advertising on the total demand for farm products.

Market structure and organization

The group first reviewed briefly recent trends in the use of contracts in farming and vertical integration. They noted that increased co-ordination of marketing and production functions was a necessary development in industrialized economies. Discussion centred on the problems associated with these trends, such as what types of institutions can best perform various functions and what are the consequences of change on producer welfare as well as on the general welfare.

A primary concern of the group was the impact of these developments on the effectiveness of the open market and the bargaining position of the producers in the market place. How effective can the market be if contracts and vertical integration are prevalent?

Various remedial proposals were discussed. Co-operatives in several countries have increasingly assumed a more important role in price determination. In general, however, co-operatives would have to move beyond their traditional functions and assume a broader area of decision-making relating to the supplies produced and marketed if they are to be effective bargaining instruments. This may in some countries require new legislation on co-operatives.

Through horizontal integration co-operatives can achieve economies by eliminating small, inefficient co-operatives and at the same time gain a stronger bargaining position by controlling a greater share in the market. Several in the group observed that a desirable market structures would exist where co-operatives and private firms are in active competition.

Traditional price-making forces are often drastically altered by a large increase in contracts. In some cases, the point of price determination shifts—for example, from live chickens to dressed broilers in the

U.S.A. Active competition may exist at the new price-determination point but a void exists in determining returns to producers. Some institutions, such as a producer co-operative, a government service, or perhaps a general farm organization may need to provide a clearing house of information about various terms of contracts. A 'model' contract may be useful. Bargaining organizations representing producers will need to put added emphasis on first-rate demand and supply information effectively to do their job. This by no means exhausts the possible courses of action. Farmers themselves will need to upgrade their managerial talents to get along in a changing market structure.