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Adjustments in Agricultural Marketing
Charles E. French
Agricultural Economics Department, Purdue University

No conscious attempt will be made in these remarks to relate adjustments in marketing to adjustments in farm production. I am not an agricultural fundamentalist but I am an agricultural realist. As such, I recognize that some farm problems find their source in the marketing area but my focus is not there today.

Marketing adjustments lie against a backdrop of declining food industries in terms of numbers. Often these adjustments hit the small town industrial and social complex the hardest. These adjustments increasingly result in more of the agribusiness complex. The closeness of interrelationships between production and marketing will grow.

Against this setting let us talk, and dramatize a bit, four basic adjustments bearing on you and your businesses. If the drama looms large, remember that the very continuity of evolutionary changes in marketing is most disarming.

Adjustments Between Farmers and Marketing Institutions

A fast and somewhat subtle growth in strength is sweeping through our farm groups. Cooperatives have recently entered agricultural processing on a growing scale. This involves them in a whole new group of problems the least of which is not that of trying to tell when the interest of the cooperative swings from farm price bargaining to selling practices and procedures.

Bargaining as a recognized area of agriculture is being recognized and formalized. This is true throughout many farm organizations from the American Farm Bureau Federation to the National Farmers Organization.

The American Farm Bureau Federation has proudly spoken for years for agricultural conservatism. This month saw them announce that a national marketing association has been incorporated as an affiliate of the American Farm Bureau Federation. Its name: American Agricultural Marketing Association.

The objectives of this national association would be: 1) To assist State Farm Bureaus in organizing and servicing bargaining associations; 2) To provide a means to coordinate the efforts of the state and regional bargaining associations; 3) To conduct research; analyze contracts and contract terms; and to furnish information on supply, demand, contract prices, etc.; 4) To discuss, and if it becomes necessary, to negotiate - contract terms, quality control, and related matters with individual companies that operate on a national or regional basis, with national and regional associations of canners, freezers, processors, packers, buyers, and others engaged in, or associated with, the purchasing, handling, and selling of agricultural commodities. Strong language? Yes!

Mr. R. B. Tootell, cooperative leader, said in February in Austin, Texas, "As farm marketing becomes more concentrated in relatively few concerns, farmers will have greater need than ever for their marketing cooperatives, so they may have the benefit of professional sellers to match professional buyers."

Traditionally isolated institutions are being welded together. Continuous relationships whether in mathematics, mechanics, or between farmers and marketing agencies tend to move smoothly and automatically. The complex of small numbers of firms requires a special kind of lubricant in order to avoid friction. This is a mixed lubricant of social restraints, knowledge and finance.

The possibility of reduced supplies may tighten the noose on some marketing institutions. Raw material is the largest part of the sales dollar for most of you. A little extra elbow room for economic decision in this large cost item is a comfortable feeling. The tendency of farm adjustment will be to reduce the excess supplies. Middlemen will fight this.

Interlopers in many businesses will increase. Conventional operators will be upset. Innovators take strange shapes. "Unconventional" businessmen will continue to come into agricultural processing. Some of their ideas will be good. Often you may do well to observe and mimic rather than to try to stifle and fail in the process.

Adjustments in Competition Among Marketing Institutions

Agriculture will share less in the total economy. A wealthier society will spend a smaller part of its wealth on food and fiber. It may well spend more on the services which accompany these, however. A recent USDA study showed response of services to income five times that of food. Food and beverages get 20-25 percent of the consumer's dollar after taxes -- a drop from 25 to 22 cents in a decade. Outlay for food is up 18 percent, but the same quantity would have cost only 9 percent more. Not only this, but we get better quality and more service. Food is a good buy.

A deepening light goes on for the relative parts of what comes to the food industry. In some areas the number of shares is getting small. For instance, in 1954 the following was true:

<u>Industry</u>	<u>Percentage of Business Done by</u>	
	<u>Top 4 Companies</u>	<u>Top 20 Companies</u>
Meat packing	39	60
Poultry Processing	17	33
Concentrated Milk	55	80
Fluid Milk	22	36
Flour and Meal	40	68
Cereal Breakfast Foods	88	99
Margarine	48	100
Soybean Oil Mills	41	89

Indiana firm numbers dramatize the adjustments we face. The last decade has seen about a 50 percent decline in dairy plants and a 25 percent decline in grain elevators. About nine-tenths of our poultry processing is now in the hands of fewer than 20 firms. A 1958 study in Indiana showed the following:

<u>Type of Business</u>	<u>Percentage of</u>	<u>Percentage of</u>
	<u>Fluid Milk Business</u>	<u>Fluid Milk Plants</u>
Chains	22	6
Single Firms	54	83
Other Type Firms	24	11

The mortality rate of agricultural processing concerns in smaller communities has been higher than that in larger communities.

Competition for shares of the food dollar will be molded by society. Legislation more and more will affect these organizations and how they operate. Sanitary regulations will continue to be used for economic barriers. Basically four types of regulations will affect businesses. We will continue to regulate and protect freedom of entry and exit of firms. We will continue to facilitate private business by such things as weights and measures. We will regulate to preserve competition by controlling the type and nature of mergers. We will have regulation designed to mold the character of our competition. This last type will be the most difficult, but more and more attempts will be made to get it.

Adjustments in Management and Operation of Marketing Firms

The big changes here are generally termed automation. Attempts to make automatic the processes for production will continue. The food industry has lagged traditionally in industrialization; there is some indication that it may be lagging in automation. The capital requirements here appear absolutely high, but relatively low.

The pressure to make automatic the great problems of data processing continue. Small operators are under pressure to put in automatic data processing and in some cases may be oversold. Economics here lie mainly in tying in with other means of automation, especially mechanical management problem-solving techniques.

In the area of automatic management aids and problem-solving techniques, dramatic things are going on. Mathematical techniques and digital computers for solving management problems are now an integral part of business management. It must be taught and understood by anyone directly related with the agricultural processing industry. We use a concept of mathematical programming to frame operations in terms of mathematical equations which can be understood by digital computers. Not only that, but we use digital computers to solve problems involving risk and uncertainty by using applied statistics and computers through such techniques as simulation and this type of thing. The last area of automation tends to embody the first two areas and the impact of this is being dramatically written into the pages of history.

Adjustments in Business Morality

Rebirth of a national conscience seems to be in the air. Over the years public relations in general and personnel cooperation in industry have both become of age. A growing social impact seems promised in automation. A recent book by an Englishman, Mangus Pike, has made a very good case that a social rebirth may be the result of automation.

On the other hand, we have had real exposures of violations to our moral code. The TV programs, union rackets, monopoly violations, payola, and others swell the list. The national resentment to these is encouraging and we may be able to do something about them. This acute problem has in part grown out of the "buyer beware" concept which has permeated our business. Throughout many industries some things taken for granted today are not within traditional concepts of good business morality.

The need for a solution to this problem may actually be accelerated by modern concepts. For instance, we have just had our first electronic card shark caught for embezzlement. Apparently a New York brokerage firm had a vice president who was able to invent a technique whereby a digital computer could embezzle a company out of tremendous sums of money.

Low morality can be poor economics. Economic pressure is a sad purveyor of improved morality, but it may be an important one. Prices are volatile (and sometimes unpredictable), but a very powerful determiner of relative equity positions in our society. Our current welfare concepts dictate that we recognize this. Nonprice competition has not undergone the incubation period of social analysis, especially in economics. Thus, the norms, mores, and moral codes are not well established. Until they are, the moral responsibility will rest primarily on individual businessmen. It will not only be the businessman's social responsibility but his economic responsibility as well. A bad actor within an industry today can pull the total industry down upon its small number of members.