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Food and Agricultural Marketing Issues for the 21st Century



The Food and Agricultural Marketing Consortium

FAMC 93-1

WAITE MEMORIAL BOOK COLLECTION
DEPT. OF AG. AND APPLIED ECONOMICS
1994 BUFORD AVE. - 232 COB
UNIVERSITY OF MINNESOTA
ST. PAUL, MN 55108 U.S.A.

Food and Agricultural Marketing Consortium

The Agricultural and Food Marketing Consortium is chartered to provide researchers, extension educators, agricultural leaders, agribusiness representatives, interest groups and policymakers a forum in which to address issues affecting the vitality and competitiveness of the U.S. food and agricultural marketing system. Marketing economists interesting in working within this pattern are encouraged to contact the individual chairing any of the following workshops in which they are interested.

Schedule

January, 1994 *Role of Public Policy Supporting the Orderly Marketing of Commodities* – Washington, D.C.

Tom Sporleder, Chairman – Tel: (614) 292-0315
Hal Harris
Gordon Rausser
Jim Shaffer

January, 1995 *Role of Public Policy for Market Development (Foreign and Domestic)* – Tampa Bay

Les Myers, Chairman – Tel: (703) 231-6301
Terry Roe
John Nichols

January, 1996 *Updating of Policy to Modify Agricultural Market Structure or Behavior* –

Steve Sonka, Chairman – Tel: (217) 333-1817
Julie Caswell
Mike Cook

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Marketing Issues

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21st Century

Food and Agricultural Marketing Consortium
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Daniel I. Padberg
Editor

Texas A&M University
College Station, TX
1993

PREFACE

Agricultural and food marketing issues have traditionally received high priority within the agricultural economics discipline. Marketing issues were very close to the priorities of farmers and have received ongoing attention from the federal agencies. The complex of policies and programs to facilitate the efficient functioning of farm commodity markets is large and extensively developed.

Regardless of this long-term commitment, marketing issues have received lower priority in recent years. Agricultural economists have developed awareness of new issues in international trade and agribusiness management. New program development in these areas included a wide spectrum of activities ranging from undergraduate studies to research and extension. Many of the people within our discipline who have taken up these tasks have come from "marketing." In this situation, exacerbated by a general decline in the numbers of professionals from which to draw, the more traditional marketing issues have received less attention.

The traditional pattern of work done by agricultural economists was supported by formula-driven public funding and focused on the broad public issues of agriculture. In the more recent period, research budgets have a growing component of research grants which tend to have a much narrower purpose. In this situation, researchers are less free to respond to broader issues.

Leaders within our profession have observed that as consequence of these trends marketing policy is getting less attention and becoming less up to date. Ways have been sought to bring together experienced and interested experts across our discipline in a functional group to give attention to these issues, encourage formal and informal analysis of policy issues and develop consensus concerning changes needed in federal marketing policies and programs. Leaders within Economic Research Service, Agricultural Marketing Service, Farmer Cooperative Service, and Extension Service – all in the U.S. Department of Agriculture (USDA) – and Farm Foundation have provided the financial support as well as the vision for this initiative. The Agricultural and Food Marketing Consortium was organized at a meeting in May, 1992. The temporary steering committee was identified at this meeting by those present.

Temporary Steering Committee:

Walter Armbruster, Farm Foundation
Julie Caswell, University of
Massachusetts
Ken Clayton, AMS, USDA
Ron Cotterill, University of
Connecticut
Mark Drabentstott, Kansas City
Federal Reserve Bank

Hal Harris, ES, USDA
Dennis Henderson, Ohio State
University
Pat O'Brien, ERS, USDA
Dan Padberg, Texas A&M
University
Randy Torgerson, ACS, USDA

FOREWORD

Food and Agricultural Marketing Issues for the 21st Century was organized to bring into focus the main pattern of events and body of thought in agricultural and food marketing.

Marketing economists have become very specialized – tending to look at issues and problems in a particular context without examining the context for appropriateness. Many of our policies for guiding agricultural and food marketing are dated and perhaps out of date. In any event, so much has changed in agricultural and food marketing that there is a need to re-examine the general approaches to market policy and the rationale for specific programs. We must make these policies conform to modern conditions in the marketplace as well as changes in our attitudes toward globalization, the environment and consumer protection.

This conference initiated an extended effort to bring about an updating of the rationale, economic logic and analysis of public intervention in the agricultural and food markets.

Most of the rationale for laws providing facilitating functions for farm commodities and food products were written before 1950. The major pattern for several parts of this policy was set in the depression of the 1930's. Since farm businesses and farm families were the same, there may have been something of a "personal safety net" in these policies. The context and general economic background has changed over the many decades since these policies were put in place. The technology and efficiency of communication has vastly changed with consequences on firms' ability to compete. The structure of the industry has greatly changed. The importance of global competition has increased. The direct assistance to both farmers (commodity programs) and consumers (food stamps) is a major economic difference since the time of the enactment of these policies.

Is the balance of "fairness," "personal safety net" and "efficiency" in the rationale of these policies still valid? Are other criteria important? How should the updated rationale affect our policies? How should it affect our aid and advice to emerging free-market nations?

Permissive legislation enabling marketing orders and cooperatives as well as antitrust legislation was passed to bolster producers' bargaining position in the vertical system and was believed to ultimately benefit consumers. Such policies and the concept of orderly marketing itself have more recently been vigorously challenged by advocates of more laissez-faire policies.

Given structural changes in the food industry among producers, handlers, processors, distributors and consumers, are policies intended to insure orderly marketing still valid? What alternative public policy institutions or methods of vertical coordination are available and what would be their society-wide benefits and costs?

This beginning signals a commitment to deal with these issues. The following proceedings reflects our present expectations about some of the subjects and presents them for consideration.

Daniel I. Padberg
Texas A&M University

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Part I · Food Markets in Transition

It is necessary to examine the main factors changing the context in which our markets work and in which we try to guide them. Industrialization relates to contemporary changes in the structure of agriculture for both farmers and other actors in the market. Changes in technology and scale economies, as well as the growing importance of advertising and other aspects of the behavior patterns of large firms, are included. Globalization is increasingly important. These changes require a different way of visualizing and thinking about marketing problems. The influence of industrialization on U.S. agricultural and food markets will likely become more important as we go into the next century. It could be accelerated by changes in our attitude toward environmental and consumer protection.