AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

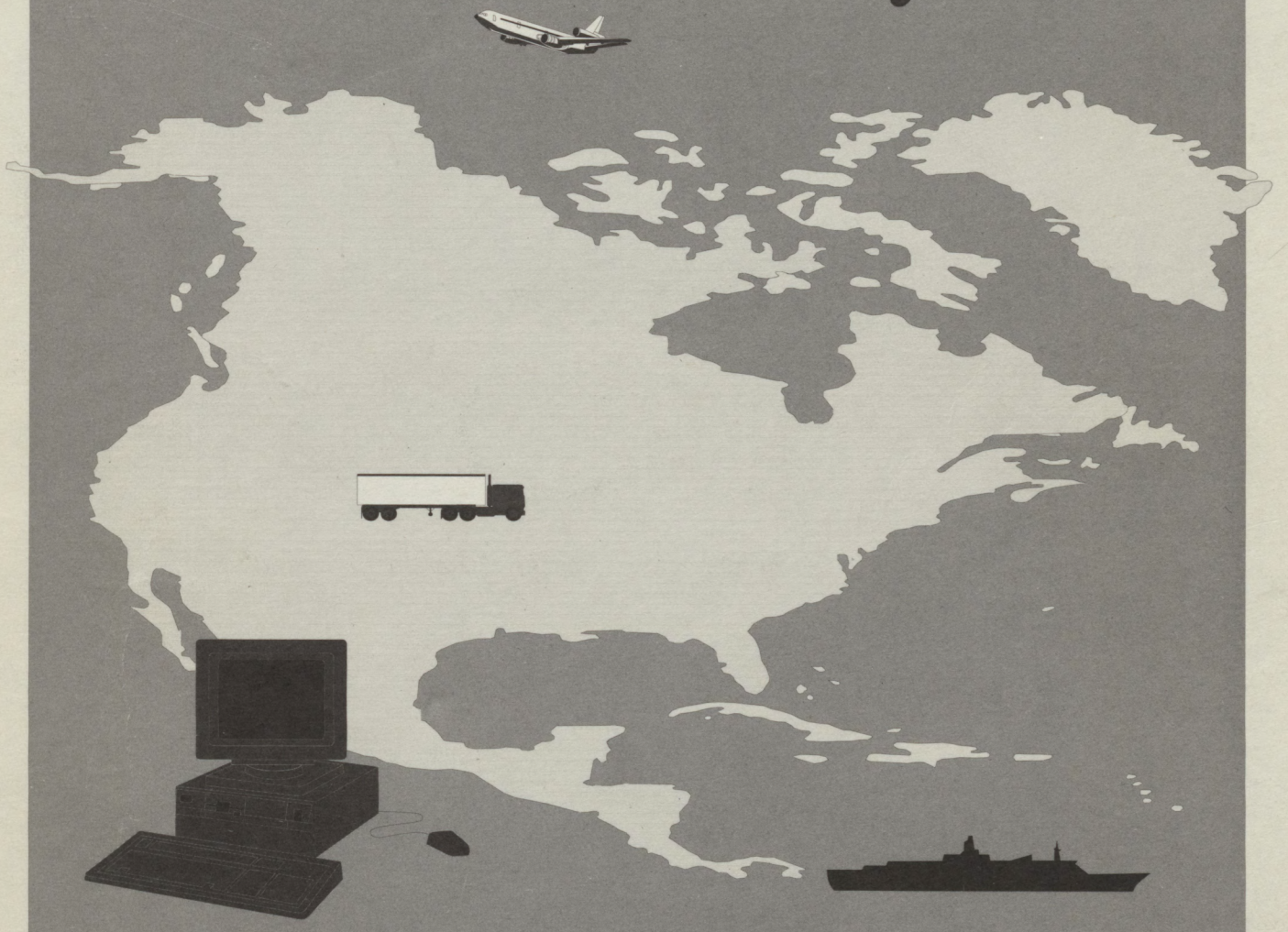
Give to AgEcon Search

AgEcon Search
http://ageconsearch.umn.edu
aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

658.80963
F66
93-1

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

658.80963
F66
93-1

Food and Agricultural Marketing Issues for the 21st Century

Food and Agricultural Marketing Consortium
FAMC 93-1

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, Univerity of Connecticut
Mark Drabenstott, 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

Contents

Part I · Food Markets in Transition

The Industrialization of the U.S. Food System 3
Alan Barkema, Mark Drabenstott and Mike Cook

Globalization of the Food Industry 21
Dennis R. Henderson and Charles R. Handy

Linkages Between Agricultural Marketing and Environmental Policies 43
Eileen van Ravenswaay

Changing Societal Demands: Consumerism 54
Jean Kinsey

Part II · Responses to Market Transition

Implications of New Industrial Organization and Demand Models for Marketing Research 68
Julie Caswell and Jeffrey Perloff

Strategic Market Behavior of Large Manufacturers and Distribution Firms 77
Ronald W. Cotterill and Randall E. Westgren

Policy Center Methodology: Its Implications for Marketing Research and Extension 91
Ron Knutson and Bob Young

Part III · Reassessing Policies to Facilitate Orderly Marketing

Implications of Structural Change and Emerging Technology for Public Policy Based on Orderly Marketing Concepts 101
Tom Sporleder and M. J. Phillips

Grades and Standards for the 21st Century - The Role of Grades and Standards in Moving from 'Traditional' to Consumer-Oriented Agri-Markets 117
Eluned Jones and Neilson C. Conklin

Research and Marketing Issues Facing Commodity Promotion Programs 125
H.W. Kinnucan, O.D. Forker, J.P. Nichols and R.W. Ward

Part IV · Reassessing Policies for Changing Structure or Behavior

Rationale for Public Intervention in Food and Agricultural Markets 143
D.I. Padberg and Alan Love

Cooperatives and Group Action 154
Mike Cook

Antitrust Policy 170
R.W. Cotterill and J.W. Brock

Marketing Orders 183
Walter J. Armbruster, Paul G. Christ and Edward V. Jesse

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.