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Information:

Delineating and Balancing Rights Between Private Firm Secrecy and the Public Right to Information

General Session, Thursday, January 13th, 1994, 1:30 pm
Moderated by John Nichols, Texas A&M University
and

Friday, January 14th, 1994, 8:00 am
Moderator, Pat O'Brien, Economic Research Service

Major papers:

Opening Address: The Future of the Agricultural Marketing Service

Lon Hatamiya, Agricultural Marketing Service, USDA

Private Strategies and Public Policies: The Economics of Information and the Economic Organization of Markets

Ralph D. Christy, Cornell University

Discussants:

Gerald E. Grinnell, Packers and Stockyards, USDA

Mark Drabenscott, Federal Reserve Bank of Kansas City

O'Brien: There's an information dilemma rapidly developing. On the one hand, public expectations about the government's meeting their informational needs are expanding (in nutrition, for example), while, on the other, the areas where more information is being demanded are the very ones where information is thin. Yet, at the same time, the public is less willing to pay for information acquisition and distribution. Meanwhile, a lot of dollars are still being spent collecting information that's no longer needed.

Drabenstott: The United States has been investing in public information in food and agricultural markets for more than half a century. But the game has changed, and so has the justification for public involvement. The public used to be viewed as both the commissioner and the referee of the food market game. That is, it helped the game take place by providing a playing field and by calling fouls when they occurred. Today, the game is played skillfully in many venues by stronger players. The public no longer needs to provide a playing field, but it still needs to spot fouls when they occur. The problem is that the players are so strong and the referees are sufficiently removed from the action that it is much more difficult to spot the fouls. While some might argue for more officials, my preference is to have smarter referees that pay more attention to the final score.

Drabenstott: I'd like to plug a new book, *Food and Agricultural Markets: The Quiet Revolution*, Lyle P. Schertz and Lynn M. Daft, eds., sponsored by the National Planning Association's Food and Agriculture Committee and the U.S. Department of Agriculture, Economic Research Service. It describes the changing structure of markets. A number of Consortium members have contributed chapters.

Opening Address: The Future of the Agricultural Marketing Service

Lon Hatamiya

Welcome. On behalf of the Agricultural Marketing Service (AMS), one of the main sponsors of *The Food and Agricultural Marketing Consortium*, I thank you for your attendance and your anticipated participation.

Tomorrow begins my fourth month as Administrator of AMS. Perhaps this is why I have been given the topic of the future of AMS, rather than to discuss the past, or even the present. In discerning the future, I look to the President and the Secretary, who set the policies and directions that I implement. I look to the employees, who know the programs, and I look to the customers—the public and the industry—who want those programs run efficiently and effectively. I also look to you—interested persons often with unique perspectives and with new ideas on how AMS can fulfill its mission. Together, we will chart the future of AMS of the U.S. Department of Agriculture.

That future will reflect Secretary Espy's plans to reorganize USDA. Outlined by Vice President Gore and detailed by Deputy Secretary Richard Rominger, the reorganization is not just rearranging the deck chairs on the Titanic but will reorient the department to avoid the hazards that loom on the horizon and in some cases have already imperiled the department, producers, and consumers.

Drabenstott: It seems we should phase out some unneeded 50+ year old programs, adding more useful ones, such as tracking retail prices or giving food safety and nutrition information.

The proposal will take USDA from the 1930s to the 1990s, and beyond to the 21st century. Those of you who have looked at the plan have noticed that AMS survives intact, in contrast to many other USDA

agencies. AMS leads the march to entrepreneurial government, because it relies so heavily on user fees. The agency has over 17 employees for every supervisor, ahead of the National Performance Review recommendation. Sixty-eight percent of the budget is financed through user fees, with an even higher percentage proposed for next year. Finally, over the past 10 years, AMS has closed 38 percent of its field offices. Because many of the programs are voluntary and compete in the marketplace, AMS has shed some of its bureaucratic layers.

However, the future is less certain. User fees will not remain the solution to our budget problems. Many fees are reaching a ceiling where AMS may lose customers for its voluntary programs. For example, beef producers may rely on their own grades rather than pay high USDA fees. My business background tells me that we must do more to attract new customers to spread our costs and generate revenue through more users, not higher fees. Even with an expanded base of users paying fees, AMS must still do its part to reduce the budget deficit and to follow the other mandate of the Vice President—finding better ways to serve our customers.

As you may know, I am from California, where much of this reinventing government started. After California voters passed the now famous Proposition 13, slashing property taxes, local governments no longer had the money to run their programs. Nevertheless, their constituents still wanted those services, even though they voted for the initiative. Faced with this dilemma, officials looked to innovative ways to raise revenue and deliver services. User fees and entrepreneurial government became the norm; one city even owns a shopping mall. Thus, creative solutions,

born of necessity, created reinvention. The enormous budget deficit forces the federal government to repeat the California experience—delivering better service at lower costs.

To carry out the reinvention mandated by the deficit and the Administration, AMS is crafting its own strategic plan. In addition to causing all of us to think of the future, this process will knit the agency together in a common mission.

As a farmer of prunes, peaches, walnuts, and almonds, I was familiar with AMS before I took this position. I knew that AMS administered marketing orders and inspected fresh fruits and vegetables. I have since become familiar with meat and poultry grading, dairy marketing orders, pesticide residue testing, wholesale market designing—to name a few of the diverse subjects that land on my desk. Predictably, given this collection of jurisdictions, discerning a common mission is not an uncomplicated task.

This month, AMS will be conducting training sessions; and the strategic planning process will culminate later in the year, not only with the plan, but with a set of performance measures to evaluate our service.

In addition to process, we are also looking at substance. If you read what Secretary Espy said about marketing orders while serving on the House Agriculture Committee and again at his confirmation hearings, you will see that he appreciates their stabilizing effects. USDA wants orders

to be well-administered, to be obeyed, and to be successful in their mission—balancing supply with demand and assuring production by assuring fair returns.

It should come as no surprise that I agree with my boss, Secretary Espy. But my support of marketing orders also comes from my experiences in California. I am one of few farmers to head the Agricultural Marketing Service. I bring to Washington the experience of growing fruits and nuts under marketing orders and with the help of research and promotion boards, so I know firsthand their benefits. As a former almond grower, I can tell you that the California Almond Board's program has substantially increased the demand for almonds. As an administrator, and as a farmer, I believe there is a place for marketing orders and other programs administered by AMS.

Recent successes on GATT and NAFTA demonstrate that this Administration supports international trade. AMS services—such as grading and inspection—facilitate trade, and we are working toward the day of uniform quality standards. Those programs that encourage international trade will assume greater importance in the future.

That completes my gaze into the future of AMS. Certainly, while my topic is the future of AMS, I have discussed much more how to get there than what it is. Because it is a developing process, this conference offers us the opportunity to discuss where agricultural marketing policies should be in five, ten, and even 20 years. I look forward to hearing your views.

Tom Sporleder, Ohio State University: Under budgetary constraints, Congress wants to move more toward user fees, but also toward better technology and more cost-effective delivery. And a high priority is better cooperation with the states' statistical programs.

Nichols: Budgetary pressures have brought calls to reduce price supports and deficiency payments, but they also raise many questions about marketing orders and other AMS programs.

Hatamiya: Producer benefits from AMS programs are now mostly paid for by the

industry in user fees, not by taxpayers, so the effects from budgetary pressures are only indirect.

Walt Armbruster, Farm Foundation: Do you see opportunities for expanding some of these AMS services to Eastern Europe and other emerging democracies (who as yet have little sense of the public role)—or for that matter to countries that can directly pay for services?

Hatamiya: AMS could become a contractor to meet the demand for these services.

Jim Shaffer, Michigan State University: If it's mostly fee-for-service, what's really the difference between AMS and a consulting firm?

Hatamiya: Well, the perspective is different.

Nichols: While AMS serves the industry's needs (fee for service) isn't it also a government agency with a public role?

Hatamiya: Although AMS's direction is strongly toward fee-for-service, the activities also generate positive externalities—that is, public benefits stem from providing the relatively private services.

Les Myers, Virginia Polytechnic Institute:

Besides some changes in response to budget pressure (such as more fee-for-service) what about those driven by the technological revolution and by structural changes in agriculture?

Hatamiya: AMS first needs to more fully use the technology at hand before moving to more cost-effective, "higher tech" communication systems. The bulk of its information gathering is "out in the field." AMS has some 8,000 employees scattered around the country, so another high priority is better cooperation with the states' parallel services, especially their statistical services.

And AMS is striving to be more responsive to the changing needs of the agricultural sector as we rapidly move toward the 21st century. However, admittedly, there's a great deal of inertia. A major challenge is to keep up as the economy goes global. For example, grading services will have to expand as trade increases (with NAFTA and GATT).

John Lee, Mississippi State University:

Apparently many of the benefits of marketing orders accrue to a relatively small number of large, well-heeled farmers. Especially the supply management provisions seem aimed at enhancing their incomes at the expense of consumers. What about this?

Hatamiya: Marketing orders also benefit small family farmers; this is particularly true of the dairy marketing orders. But admittedly, not all about marketing orders is good, and opportunities exist for improvements in their functioning.

Comment: But besides marketing orders, many of AMS's basic services are being challenged—e.g., market news and inspection.

Hatamiya: AMS takes on these challenges as they come—and they come almost daily. We must meet them one by one. For example, there is a segment of the dairy industry opposed to pricing schemes and a segment of the citrus industry fighting prorate. We are currently evaluating those marketing orders, especially the latter.

Myers: What is AMS doing to initiate change, rather than just reacting to it?

Hatamiya: AMS is attempting to be proactive. But we aren't going to reinvent every program. Some are very effective as they are currently operating.

O'Brien: Regardless, This Consortium intends to look deeper and consider the rationale for marketing orders and other AMS services.