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## REVIEW:

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# AGRICULTURAL ECONOMICS SOCIETY ANNUAL CONFERENCE 6 - 9 APRIL, WYE COLLEGE, UNIVERSITY OF LONDON

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### 1. Introduction

The 1990 annual conference of the Agricultural Economics Society of Britain was held at Wye College, Wye, Kent over the weekend of 6 to 9 April 1990. The conference was attended by a record 270 delegates. The programme commenced on Friday evening with a paper by Gerard Viatte, Director for Food, Agriculture and Fisheries at the OECD in Paris. The following two days consisted mainly of parallel symposium sessions, parallel discussion groups, parallel contributed paper sessions and only a few plenary sessions. The five parallel symposium sessions covered the following topics:-

- Communications in Agriculture
- Agricultural and Food Marketing
- National Parks
- Environment and Development
- The Competitiveness of the UK Agricultural and Food Industries in the Single European Market.

The topic for discussion in the seven discussion groups were the following (the introductory papers were repeated twice to give the delegates the opportunity to attend more than one discussion):

- The use of linear programming models for the economic analysis of human diets.
- Agricultural policy, technology development and maize production in Southern and Eastern Africa.
- Common European environment standards - Unfair and Inefficient? - A case study of nitrates in water.
- A comparison of results obtained using different definitions of demand for angling in Northern Ireland.
- The use of duality theory in Agricultural Economics Research.
- Case studies of the costs and benefits of research of the Agricultural and Food Research Council.
- The widening framework of business activities on farms.

In this review all the papers given during plenary sessions and some selected papers from the other sessions of the conference will be discussed.

### 2. Agricultural policies in OECD countries - Agenda for the future: Gerard Viatte, OEDC, Paris

In his paper, Gerard Viatte outlined a set of issues that policy makers will have to address in the coming decade. Many of the issues for the future have been on the agenda for some time, as

reflected in the programme for reform that was defined in the 1987 OECD Communiqué. The 1987 Communiqué considered the possibility of reducing the overall level of assistance to agriculture and switching to alternative ways and means of delivering that assistance which are less economically distorting and more market-orientated.

The issues for the future are not only relevant to the work in the OECD but also to the research and analysis that will have to be undertaken in universities and research institutions and can be summarised as follows:

The first issue that is likely to dominate the agricultural policy agenda for some time is the market-orientated reform of agricultural policies. The work in OECD has highlighted the importance of domestic policies in trade distortions and the large share of the costs of agricultural policies that is borne by consumers. The actual progress that countries have made in terms of the reform of their agricultural policies has been mixed and generally rather disappointing. It is therefore clear that there is still a long way to go in the direction of market orientation.

The second issue on Mr. Viatte's agenda is structural adjustment. The possible shift to direct income support is one of the channels through which the question of adjustment has been analysed by the OECD. According to Mr. Viatte governments should adjust their agricultural policies in such a way as to eliminate supply controls and lower support prices which will result in policy measures that will be less economically distorting.

The third issue that will continue to occupy a great deal of policy makers' attention is the increasing concern with the environment and conservation, food safety and the conditions under which food is produced. The environmental/agricultural issue has important implications for policy: how best to encourage the environmental benefits and discourage the environmental costs.

A further issue on the agenda concerns all aspects of rural development that could facilitate the reform of agricultural policies. The last issue, which will in the future have important implications for OECD countries, is the rapid political developments in Eastern Europe. In the short term, many OECD countries will see opportunities to expand their agricultural exports and ease the costs of surpluses. This, however, presents the risk that the pressure for reform of OECD agricultural policies will be eased. On the other hand, the movement towards market orientation in OECD countries has some parallels with the process of developing market economies in Eastern Europe.

The author concluded his paper by saying that the next decade will be a crucial period for agricultural policy makers in addressing all the issues named above.

### 3. European food aid policy 1968 - 1987: John Catie

In the first session of contributed papers, John Catie gave a paper on European Food Aid Policy. His paper gave a review and assessment of European Food Aid Policy since its inception in 1968. He discussed the origins and evaluation of the policy and described the different influences that have shaped the aid policy through the years. He went further and also identified central influences on its future evolution.

The author compared the American PL480 food aid programme with the European food aid programme and stressed that the American food aid was emphasising market development while the European emphasis was on self-sufficiency.

EEC food aid policy is still evolving and is a different policy in 1988 than it was in 1968. European food aid policy should not be judged by the standards of past food aid programmes such as PL480, but as a developmental resource for the developing world. Cereals have been the major commodity in the European food aid programme.

Two major influences on the development to European food aid policy were identified as the following:

- struggle between national interests and the Commissions desire to establish an independent supranational food aid scheme.
- development of an independent European aid programme and the influence of the ACP countries on the shaping of that policy.

The EEC does not acknowledge its self-interest in food aid as an instrument of surplus disposal or of market development but insists that food aid is its own right is an appropriate resource for the development of poor countries. The EC provides its food aid for emergency and developmental uses and these are in the form of grants.

Two-thirds of recipients of EEC food aid are not members of the ACP countries. SADCC countries receive 10 per cent of food aid from Europe in order to help the frontline states to become less dependent on South Africa.

### 4. Presidential address: Aspects of farm profitability - An outmoded concept?: John Nix

In line with the tradition of the last three presidential addresses at the annual conference, Prof. John Nix also gave an original, entertaining and excellent paper on aspects of farm profitability.

The author began his paper by recording articles in the "Journal of Agricultural Economics" since 1952 relevant to farming incomes and efficiency. In this section of his paper, John Nix referred to an article by Prof. Lieb Nieuwoudt (Nieuwoudt, 1977) as one of nine papers in the post-war period that dealt with the measurement of efficiency. The author also mentioned that of the 810 articles that appeared in the Journal over the past 40 years, the word "income" has appeared in a title 15 times but the word "profit" only 5 times. The word "profitability" has never appeared in a title of an article and therefore he is correct in viewing his paper as original.

In the second section the author reviewed the literature on measuring farmers' income and the problems entailed, including consideration of non-farming incomes and capital gains in their relevance to agricultural policy. In the next section definitions of "profit" in selected texts from Adam Smith, Ricardo, Marshall, Keynes, Lipsey and the 13th edition of Samuelson's "Economics" were compared, together with attempts to measure "pure profit" from farming. Charges for management

and interest were then calculated using the most recent Farm Business Survey results available averaging the two cropping years 1986/87 and 1987/88.

Comparing his results with other surveys, Prof. Nix came to the conclusion that farm managers are underpaid if one considers the amount of risk, capital and responsibility that farming involves. Prof. Nix argues that in the UK, at present, the average level of farm management reward should be in the order of 40 pounds/ha. Prof. Nix also stressed the point that "gross margin" is better than "output" as a measure of business size but, on the other hand, the "standard gross margin" is preferable to "actual gross margin".

Prof. Nix stated that, after considering present interest rates in the United Kingdom, 5 per cent of total gross margin should be the norm for individual farm managerial charges. Using this norm Prof. Nix was now able to calculate his "pure margin" - i.e. management and investment income less both the management and interest charges.

In his conclusion the author discussed several reasons why farm profitability became obsolete (for example the fact that the majority of farms do not show a pure profit and the increasing amount of off-farm earnings) and concluded that the concept of farm profitability is now an outmoded concept and the economist's definition seems to have little relevance today.

### 5. Discussion group: Agricultural policy, technology development and maize production in Southern and Eastern Africa.

The Presidential Address was followed by a session of discussion groups. The discussion on "Agricultural Policy, Technology Development and Maize Production in Southern and Eastern Africa" was introduced by M.J. Blackie of the Rockefeller Foundation in Malawi.

The author used his experience in Malawi, Tanzania and Zambia to emphasise the problem of low yields and low productivity in the Southern and Eastern parts of Africa. The main message of his introductory paper was that maize is a key crop in all of the countries in Southern and Eastern Africa and that solving the problems of productivity of maize farming is the fundamental issue for agricultural policy makers to address. The maize farmers in these countries are faced with technological, as well as, economic problems. Accessibility and affordability of inputs are also main areas that should be addressed to increase productivity in maize farming.

### 6. Discussion group: The widening framework of business activities on farms

The discussion group 7, John McInerney and Martin Turner described the results of their study on the economic aspects of diversified enterprises and their contribution to farm incomes. The results of the survey among farmers in England and Wales indicated that about a third of all holdings in the UK have some sort of additional enterprise. The most common activities were services (bed and breakfast), contracting, processing and sales and speciality products. Although the operation of such (diversified) activities is far from new on many farms it is notable that about a quarter of the enterprises had been started within the past five years.

From all these results the authors listed a few issues for discussion:-

- Is the UK agricultural sector as a whole set on a path towards increasingly diverse forms of economic activity?
- What implication will diversification have on the structure of farm businesses?

- What is the role of agricultural policy and the state in all this?

### 7. Parallel symposia

On the afternoon of the first day of the conference three parallel symposia were held:-

The papers in the session on "Communications in Agriculture" addressed the role of information and technology in agriculture and the effectiveness of the flow of information to farmers. The following papers were presented in this symposium:

- Recent research on the effectiveness of the flow of information to farmers: A.P. Fearné
- Learning by example: G. Jackson
- The role of information/technology: I. Houseman
- The farmer's viewpoint: J. Fraser

Two of the papers in the second symposium on "Agricultural and Food Marketing - Research Techniques for the 1990s" focused on techniques for analysing consumer behaviour. The important role played by consumer behaviour in helping to design better product test procedures was emphasised throughout this session. In his paper, Rupert Loader showed how conjoint analysis can be used in economic studies of food consumer behaviour. The paper by J.M. Thompson diverted somewhat from the topic of consumer behaviour and examined some of the more practical issues experienced by small food businesses within the newly diversifying rural economy.

The papers presented at this symposium were the following:-

- The innovative food consumer: G.R. Foxall
- Researching food consumer behaviour with conjoint analysis: R. Loader
- The reality of diversification: The commercial integration of small rural food processing enterprises: J.M. Thompson
- Product testing and consumer evaluation procedures: S. Knox and L. de Chernatony

In the third symposium on "National Parks" the following papers were presented:-

- Who can afford to live in national parks?: M. Shucksmith
- Management agreements in the national parks: I. Brotherton
- A comparison of a French and a Welsh national park: J. Dwyer
- The national park debate in Scotland: J.R. Crabtree

### 8. Food market liberalisation and reform in Africa: Comparative experiences: J. Kydd

This paper, in the second session of contributed papers, explored the linkages between structural adjustment and the liberalisation of agricultural marketing in sub-Saharan Africa. The author discussed the nature of structural problems, which have been manifested in stagnating output and balance of payments difficulties.

The paper reviewed the policy measures which may be adopted to liberalise marketing and also discussed the argument for state involvement in marketing in sub-Saharan Africa. The marketing parastatals which were set up or expanded by African governments on the basis of the arguments for state intervention, have performed very poorly and are in many cases the key constraint on agricultural progress. Typical weaknesses of these parastatals include inadequate inputs, unreliable access to markets and poor quality control. The parastatals have usually been subject to political control and have also been part of the system of political patronage.

In the last section of the paper the author analyses the specific issues arising as the reforms of marketing policy proceeds as an integral part of structural adjustment strategies. He foresees that marketing parastatals will continue to have an important role in the liberalised economies of Africa i.e.:-

- importation of food aid
- importing food on commercial terms
- management of strategic stocks
- price stabilisation

Agriculture is viewed as the centre of the problem of macro-economic adjustment in the African countries and agricultural reform must therefore be the first step in the process of structural adjustment.

### 9. Major consumer trends affecting US food: Ben Senauer

In a parallel session on the second day of the conference, Prof. Ben Senauer from the University of Minnesota, gave a paper on major consumer trends in the US. In his paper he outlined the major consumer trends and their implications for the US food system. The changing demographic characteristics and changing lifestyles of the US population have major implications for the US food industry. Changing eating patterns, consumers concern over food safety, nutrition and health, changes in food retailing and packaging and attributes of products will have major implications for agricultural producers.

Producers and the organizations which represent them are going to have to become accustomed to the desire of the consumer to have an increasing impact on food and agricultural policy.

Farmers and consumers should not be adversaries in influencing policy. According to the author, farmers and consumers should have a mutual interest in having a safe, nutritious, high quality food supply.

### 10. Current policy forum: Who should pay for the countryside

In a policy forum Mr. R. Beuterbock, policy adviser to the British Ministry of Agriculture, Fisheries and Food, and Prof. David Harvey from the University of Newcastle-Upon-Tyne gave their views on the question: "Who should pay for the countryside?"

This issue has recently been raised through an increased demand by city-dwellers in Europe and the UK for a more beautiful countryside and for more environmental safe agricultural practices. The general view is that farmers, as cultivators of the soil, are responsible for the protection of the countryside. In the UK different views were recently discussed on how to find a balance between productive agriculture and the protection of the countryside.

Mr. Gueterbock said that the British government is already paying farmers to preserve the environment through different aid schemes like:-

- Farm Woodlands scheme
- Environmental Sensitive Area scheme
- Set-aside
- Aid to organic farmers.

Prof. Harvey also stressed the role of the government in this process viewing "a beautiful and preserved countryside" as a public or collective good. He discussed the free rider problem of "everybody thought that somebody would, anybody could but nobody did" as the main reason for government intervention in this regard.

Prof. Harvey sees the countryside as a public good in a sense of:-

- a beautiful landscape
- a reservoir of dreams
- existence value.

The countryside is not fully excludable and therefore needs some collective action. Prof. Harvey used this argument and the public choice theory as well as the theory of the formation of clubs to show that tax payers' money must in the end be used to pay for the countryside. This is also due to the fact that "property rights" cannot be applied to "countryside goodies".

#### 11. Parallel symposium: Environment and development

In the first paper titled "Evolution of Environmental Criteria in Aid Policy", John English of the World Bank initially gave a lengthy overview of the World Bank structure. This was followed by a short review of the evolution of the environmental criteria in aid policy. He also outlined the steps taken in organisational structure, project review, and country and sector dialogue.

The second paper in this symposium by Mr. J. Winpenny from the Overseas Development Institute (ODI) was titled "Environmental Policy - How much Economics?". Environmental economics, a body of techniques to analyse environment problems and make policy prescriptions, is challenging conventional economic thinking in countries at all stages of development. This paper examined the basic ideas in environmental economics and considered their particular relevance to developing countries.

The following 6 features of environmental economics were discussed:-

- A. The concept of the environment:-
  - source of raw materials and energy
  - environment absorbs waste products
  - system of life support
- B. Sustainable development.  
In environment economics the environment is treated as natural capital.

- C. Valuation of the environment.  
Current work aims to extend economic valuation techniques to cover environmental effects which do not appear in cost-benefit analyses.
- D. New criteria for the measurement of economic performances.  
The measurement by changes in the GNP does not allow for the depletion of "natural capital".
- E. Valuation of environmental services to create prices reflecting the true value of services rendered by the environment. Then would economic actors be rational in their use of the environment.
- F. Range of corrective devices to influence people to be more environmental conscious.

In the third paper of this symposium, Sam Jackson described her experience of environmental policies in Zimbabwe and the perceptions of the environment at village level. Environmental policy in countries like Zimbabwe is embedded in political policy and the absence of evidence of the environmental crisis is also a major feature in these countries.

The author referred to the changing view of the peasants and suggested that we should look at the following issues regarding environmental policy in developing countries:-

- technical issues
- ideological issues (the peasant's view of the environment)
- the economics of making environmental conservation worthwhile (i.e. is it of any benefit to the peasant)

#### 12. Closure

The proceedings of the conference were concluded by an informal after dinner talk by Prof. D. Oddy on "Diet, Nutrition and policy, 1860 to 1940". This paper by the economic historian gave a very interesting perspective on food consumption and the nutritional intake of the British consumer over that 80 year period.

#### References

- NIEUWOUT, WL. (1977). Interrelationships amongst efficiency measures: A note. *Journal of agricultural economics*, Vol 28: 77 - 81