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Funding the Research for the Expanding Role of the Food Distribution Industry

Keynote Speaker

Food 70's

The keynoter discusses the funding process for government sponsored food distribution research and points out favorable and unfavorable factors affecting the future of research in this area. Recommendations to strengthen future efforts are also made.

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● During the next 2 days considerable evidence will be presented that testifies to the leadership role of the Food Distribution industry. I think the industry can be justifiably proud of its record, and many in this audience can take a great deal of credit for their part in creating the record. I wish to address you on the problem of funding the research necessary to maintain this established leadership role.

Most of my experience has been with publicly financed research and, therefore, I will direct most of my remarks toward this subject. I have had enough experience with industry-financed research to know that there are funding problems here also. Some are unique to industry research and some are common with publicly financed research. Since most of the publicly funded research in food distribution is conducted in cooperation with industry for their use in reducing costs, I believe the funding problems of the State Universities and USDA researchers are of direct concern to industry researchers.

I have not tried to draw distinctions between research and extension in this paper. I am proud of the fact that such a distinction has been fuzzy in the field of food distribution research. I hope that "researchers" will continue

to do extension work and that "extension specialists" will continue to do research.

THE OVERVIEW

Funding food distribution research should be viewed in the context of funding research for all purposes. Since the same legislators and administrators who are asked to furnish dollars for space research, for example, are often asked to furnish dollars for marketing research, research problems cannot be entirely separated. A present fact of life is that the American research dollar is feeling the edge of the budget ax. Recent drastic cuts in basic science research funds have alarmed the science fraternity.

When Dr. Philip Handler, President, National Academy of Sciences, was asked for his explanation for the cuts in funds for basic research he stated, "Obviously, the war in Vietnam is a major factor. But, I think more important is the growing disenchantment with science and with what it has wrought, among the American people and the Congress...."

"There are many today who naively think we can retreat from our technological civilization and get closer to nature and have less technology and less pollutant. It is very easy to sell that

on every university campus, but it is not a sensible approach to our problems.

.....
"The answer, of course, is not to go back to the horse, but to develop automobile engines which do not pollute. I know no other way to do it. The way to keep water clean is more technology; to keep the air clean is more technology...."

What we see happening is: (1) The total number of dollars available for research is falling off, (2) Our research is dropping on a relative scale when viewed against our increasingly recognizable problems, (3) Inflation is reducing the dollar value of our research, and (4) Other nations are moving ahead in some scientific areas where we are not.

According to Senator Clinton Anderson, considered the elder statesman of atomic energy and science research in the upper house, reductions in science-research funds pose an immediate and real danger to the nation--not a remote and hypothetical one. "The relentless spread of asphalt and transmission lines; the conflict between nuclear and fossil fuels, and each with its potential for environmental degradation; automobile safety; mental illness in a high-pressure society; international arms race; an endless stream of new products; sophisticated communications; exploration of space...are all brand new problems which came in with the technological age.

"We cannot ignore the new, complicated problems, even though we may prefer to. Unless we address ourselves to them through research--constant and vigorous--the problems will overwhelm us.

"Research is needed so that we--policy makers and citizens--will know the implications of technological developments...We have always asked, "Can it be done?" rather than should it be done?" The concept of research should be expanded from determining what is possible to determining what is desirable--what, in short, will truly improve the quality of life rather than merely changing it."

The competition for research dollars is keen and is becoming even more so. In the past, it has been a little easier to obtain support for mission-oriented, or problem-solving research--the type most of us do--than for the basic science type. However, it also is having its difficulties.

BUDGET MAKING

The major share of marketing research funds as well as all other research funds, comes from the Federal Government. Last year an estimated \$17 billion of the \$25 billion gross total spent for research and development for all purposes were Federal funds. A brief look at the budget-making process at the Federal level can be enlightening and may bring some understanding of the difficulty of obtaining funds for a favorite project.

The budget-making process for an agency, for the Department, and for the Federal Government can be compared to trying to put together a 10,000-piece jigsaw puzzle, except that all during the process the pieces are constantly changing shape and size, or even disappearing.

The puzzle pieces originate at the project leader level where each leader has to look at old programs, consider new ones, and weigh the merits of each. At each administrative level--branch, division, agency, Secretary's Office, Office of Management and Budget, and Presidential--the projects are further screened and the administrator's criteria are applied to the proposals. The relative few that survive are sent to the Congress for their funding.

The President's budget as sent to Congress contains funding recommendations for 32 major and 70 or so minor governmental departments and agencies. The President's budget goes to Congress as one document. But when it gets there, it is immediately fragmented and sent to innumerable committees and subcommittees, each with a special interest. There are more than 40 committees and subcommittees in Congress which deal with various authorizations or appropriations in science research.

Each committee holds hearings to which government administrators are invited to justify their budget proposals and outside witnesses are invited to express their positions on any of the proposals. Each committee has a staff specially trained in its field to provide congressmen with expertise. Sometimes the committees have special studies made on the subject. After the House and the Senate agree on and pass an appropriation bill, it goes to the White House for the President's signature. Then about 3 years after

the project leader originally submitted the proposal, he may obtain the funds to implement it, provided of course that the proposal or any part of it survived the whole system and provided that personnel ceilings or some other administrative devices allow him to use the money.

The entire administrative budgeting system is sometimes bypassed at the time the appropriation bills are being considered by Congress. Interested parties outside of government sometimes succeed in persuading the Congressional subcommittees to insert funds into an agency's budget for the purpose of conducting research on specific problems. These additional funds are usually a relatively small percentage of the agency's total budget, but often are a significant part of new money for conducting research in new areas. The extreme difficulty in getting new research money through the administrative channels accounts for the use made of the direct legislative channel.

At this time, budgets for an agency's fiscal years 1971 and 1972 are in various degrees of clearance. What happens to these budgets as well as to the priorities because of national and world conditions affects the final outcome of the Fiscal Year 1973 fund requests. If this sounds confusing and complicated, I have succeeded in telling it the way it is.

MARKETING RESEARCH

How has marketing research and, more particularly, how has food distribution research as we know it made out in this kind of environment?

The Agricultural Marketing Act of 1946 makes a convenient starting point. The Act was the result of a 4-year study of food marketing made by a Congressional committee in the early 1940's. At the conclusion of that investigation, the Congress declared "that a sound, efficient, and privately operated system for distributing and marketing agricultural products is essential to a prosperous agriculture and is indispensable to the maintenance of full employment and to the welfare, prosperity, and health of the Nation." The Act sought ways to make the "privately operated system" more efficient, and to "facilitate distribution through commercial channels."

To accomplish the purpose of the Act,

the Congress unanimously directed the Department of Agriculture "to conduct continuous research to improve the marketing, handling, storage, processing, transportation, and distribution of agricultural products" and to do this in cooperation with "other branches of Government, private research organizations, boards of trade, chambers of commerce, other associations of business or trade organizations, or other persons or corporations engaged in the production, storing, processing, marketing, and distribution."

The Act authorized a broad and comprehensive program for marketing research. The administration and funding of the Act has left something to be desired. Just 20 years after the Agricultural Marketing Act was passed, the Department of Agriculture published its long-range study of agricultural research titled, "A National Program of Research for Agriculture". This study was sponsored jointly by the Association of State Universities and Land-Grant Colleges and the U.S. Department of Agriculture.

The study reported the 1965 State University and USDA research effort as 10,330 scientific man-years. Of this amount, 21 percent was being expended on "Protection of forests, crops, and livestock" and 30 percent on "Efficient production of farm and forest products". In contrast, 6 percent was being expended on "Efficiency in the marketing system".

The Committee proposed an increase in the number of scientific man-years spent in research which would almost double the total research effort by 1977. It also proposed a reallocation of effort which still kept 47 percent in the two categories concerned with the protection and production of farm products, and decreased the percentage going to marketing from 6 percent to 5 percent.

Two aspects of this report are very disturbing to me and should be of concern to everyone in the room. The first is the very low position that marketing research has on the totem pole of resource allocation. The second is that instead of this relative position improving, it is going the other way. Even more discouraging is the effort proposed in the category in which we have the most interest, "marketing firm and system efficiency". Only 82 scientific man-years, or less than 1 percent of the total resources,

are allocated to this category.

It is difficult for me to reconcile such an allocation of research resources when (1) The cost of wholesaling and retailing alone costs as much as producing the food; (2) More labor is employed in the food distribution industry (this does not include processing) than in agriculture; (3) Farm production costs increased only \$9 billion in a recent 20-year period, while marketing costs increased \$35 billion; and (4) The Department has worked with growers for nearly 100 years to help them perform a more efficient job, but it has only been since the passage of the 1946 Act that any significant effort has been made to increase marketing efficiency.

FUTURE FUNDING OF MARKETING RESEARCH

Where do we stand with respect to funding research for food distribution in the future? Is the picture entirely dark, or do we have some things working for us? I shall try to summarize, as I see them, the factors that are unfavorable to future funding and then the factors favorable to it.

The unfavorable factors are:

(1) Production-oriented Administrators. Most administrators in the State Colleges of Agriculture and in USDA have a farm background and were trained in some phase of agricultural production. As a result, they are commodity-oriented and have little interest in marketing or transportation of farm products beyond the local level. For example, at the most recent national meeting of the American Agricultural Economics Association meeting not one single paper or session concerned itself with marketing beyond the production area. This orientation shows itself in such actions as the appointment of a Task Force to conduct the Long-Range Study of Agriculture without a single authority on marketing being appointed to the Task Force. The study resulted in the publication of "A National Program of Research for Agriculture" which has set goals for every facet of State College and USDA research up to 1977. Needless to say, marketing research received 5 percent of the projected funds as compared with nearly 50 percent for production. Such illustrations can be repeated by all of us in USDA and in State Universities. I have made the point and it is of serious concern.

(2) Competition for Research Funds.

Money to fund various social programs is very much in demand. Along with research, other areas such as defense programs, lunar exploration programs, and farm subsidy payments are suffering. Since the type of research most of us are interested in is mission, or problem-solving, oriented, it is more easily justified than some of the other types of research, but never the less the competition is keen and all research budgets are likely to become relatively smaller.

(3) Agriculture is Becoming Relatively Less Important.

The consumer is currently spending only 16.5 percent of her income for food. The percentage has been steadily declining each year. The decline in agriculture's influence has also shown up in Congress where the rural congressman is becoming a man of the past. Appropriations for Agriculture are becoming increasingly hard to come by. The point is most effectively made by Congressman Whitten, Chairman, Subcommittee on Appropriations for the House.

I quote from the House Hearings on the USDA appropriations for 1970.

"...On this committee, we have a greater understanding than many other people do of the contributions which your research (Transportation and Facilities Research Division) has made. It is hard to get across to the people the importance of the Department's programs. We have problems with this bill when it gets to the floor; some Members, and certainly the news media, tend to group together the various amounts of money carried in this bill and assert that the total amount benefits only the farmer. I even read many stories where they add in the funds that are loaned, even though this money is repaid to the Government. They just add them all together as representing the cost of operating the Department of Agriculture.

"It is next to impossible to get the news media which reaches the urban people to tell of the wonderful job being done throughout the agricultural industry, and to explain how the Agriculture Department is holding down costs, through research such as you (Earl Glover) described. People just don't have as much understanding of agriculture today. The next generation will probably think milk originates in cartons, and that all apples are absolutely round.

"The fact that these things are not

getting over is not your fault. I know you try, and we try, too. If the American people could only realize that the 18 percent of their disposable income that goes for food would be so much higher were it not for the work you have done through the years.

"What I am saying is that the Department of Agriculture is not working for the farmer alone. In fact, the farmer's sole purpose is to feed the consumer, so all the work the Department of Agriculture does is for the consumer in one way or another. I just don't know how to get that over to them."

(4) Industry Advisory Committee Discontinued.

For many years, we in the food distribution research of the Department had an advisory committee representing various segments of the industry to advise us on our research and extension activities. The Committee's functions were gradually broadened to include all of the marketing research of the Department, and then this past year the Committee was entirely dropped. In place of it will be regional committees, made up primarily of professors and professional workers at the State Universities and the USDA. We badly need the advice and guidance on distribution problems that industry can give us.

The favorable factors working for future funding of marketing research are:

(1) Food Distribution Research is Problem-Oriented.

The research furnishes tangible results and it is therefore fairly easy to sell to industry and to Congress. Recently, the government has adopted the PPB (Planning-Programming-Budgeting) system which stresses cost benefits. One spokesman for the system states, "What I am trying to point out is that any organization, in order to get resources to use, must compete with the whole world for those resources. Hence, with a growing recognition that there are better ways to make choices, organizations in the Federal government not having objective, quantitative analysis to support their requests for funds will be losing out to those who can show, clearly and convincingly (a) the national need for their programs; (b) real benefits from their programs; and (c) long term economic, social, and political costs of their programs." Under this climate, basic research has been very difficult to justify--food

distribution research less so.

(2) Consumerism Focuses Attention on Distribution Costs.

Only relatively recently the public has been asking whether costs need to be as high as they are, and with the consumer resistance to higher costs has come a greater interest on the part of the distributor to do something about lowering them. Since the obvious answer has been to do additional research, this interest has helped to get some funding.

(3) Distribution Industry More Aware of Need for Research.

Distribution firms have become more familiar with what research can do for them, and as their businesses become larger and more sophisticated, they are becoming increasingly dependent on research to help with the answers. The old trial and error method of operation is just too costly a method in which to indulge. Many of you in this room have the jobs you do because of this increased appreciation for research by distribution firms.

(4) Momentum.

We have been in the business of food distribution research now for about 20 years. During this time, we have obtained many first-class results. As a consequence, almost everyone in the business has come to depend upon us for reliable answers. It has been a long time since I have had to answer the question, "What is Agriculture's interest in food retailing?" Believe me, during the first 10 years of our activity in this area, I answered that question many times.

Evidence of what momentum will do for the work was demonstrated the first time the Secretary of Agriculture decided to discontinue the wholesaling and retailing research of the USDA. We had evidence that over 1,600 letters and other communications went to Congress requesting that the work be restored. In the subsequent years, when this same work continued in trouble not so many communications went in but industry spokesmen became better organized and industry's contacts in Congress became better established. At the same time that industry leaders were educating the Congress, the Administrators in Agriculture also became more aware of the value of the work.

I wish to quote Congressman Whitten again--this time at the point where he was concerned with food distribution

research funds that had been omitted by the Secretary of Agriculture. "We have sometimes experienced a considerable amount of delay, while we were getting certain others to agree with us as to the wisdom of the levels of research funds...It has gotten to the point where the delegation of the State of New York, as well as representatives of certain other States that are largely urban, condemns the Department of Agriculture for reductions. I think it is time for rural Congressmen to begin to take notice that agriculture has friends in lots of places."

I have previously mentioned the jointly sponsored study of the research programs of the States and USDA and the report which recommends the relative reduction of resources going into marketing research. A jointly sponsored study on the Cooperative Extension Service program resulted in a much more favorable treatment for marketing. The study group determined that, in 1966, there were 4,741 professional extension workers in agricultural production and 808 professional extension workers in marketing, processing, and distribution. It recommended an increase in man-year equivalents by 1975 of 20 percent for agricultural production and 82 percent for marketing. This Committee had some representation from the marketing segment of our economy and their report showed it. The largest percentage allocation is proposed for "Improving the efficiency of supply, marketing and processing firms."

RECOMMENDATIONS

I conclude from the foregoing that the funding of food distribution research is not going to be a pushover, but on the other hand it is far from hopeless. We have more going for us than against us. I wish to make three recommendations to the Society:

(1) Sell the value of food distribution research.

We have lots of good research results and plenty of evidence of their value. Every member needs to recognize that we have a serious educational job before us to inform our administrators, employers, congressmen, and the public of the importance and value of the food distribution research we have been doing.

(2) Encourage the food distribution industry to make a greater contribution to the research.

Industry has cooperated with State and Federally financed researchers extensively. For example, various segments of the industry have made their facilities available for study; they have remodeled or built facilities according to researchers' specifications; they have assigned employees full time to the researchers' staffs; and they have given grants of money to carry on the research. Seldom have researchers been turned down when they have needed help in the way of facilities, equipment, records, or store employee help, and I am not suggesting that this is a problem.

My recommendation concerns obtaining greater direct financial help to match some of the funds put in by government. During the hassle over the wholesaling and retailing research funds, several industry leaders were told by congressmen and USDA administrators that they thought industry should make a greater direct contribution to the research. Paradoxically, these same legislators and administrators do not expect the producer organizations to do likewise. Never the less, in testimony before Congress, many of the industry spokesmen indicated that the distribution industry would be willing to match some of the government funds and we need to help fulfill their commitment. Industry's funds can be made available through grants of various kinds or cooperative agreements to fit almost any special needs.

(3) Help reestablish an Industry Food Distribution Advisory Committee.

I mentioned previously in this paper that food distribution research had received great benefit from an industry advisory committee after the work was started, but lost all semblance of such assistance this past year. In my judgment, the Committee benefited the work by its advice and counsel on the research and extension projects to be undertaken; by helping establish liaison with the various trade associations and firms; and by helping explain the value and importance of the research to Congress and to the administrators. Such a committee can operate in an ad hoc capacity as well as in an officially recognized capacity. To be effective, it should be as representative as possible of all segments of the food distribution industry and it should confine its concern to the food distribution research and extension activities of the State Colleges and Federal Government.

One of the purposes of this Society reads as follows, "To encourage research by defining research problems of the industry; by providing guidelines and direction for developing and implementing food distribution research; by coordinating efforts of research workers; by feeding back research needs to researchers." Mr. President, I suggest that the implementation of my recommendations will serve, in part, this purpose of the Society. ●

EDITOR'S NOTE: The discussion following the keynote speech brought forth these issues:

1. The problem of fragmentation of marketing research within the government's structure.
2. The importance of "consumerism" and all its ramifications.
3. The need to established as broad a base as possible for food distribution research.