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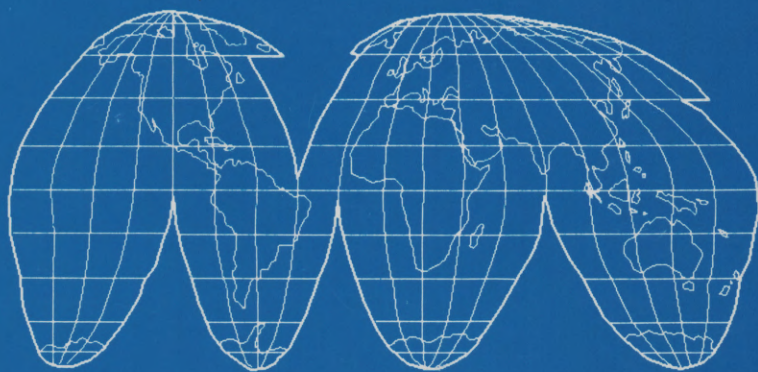
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Commodity Promotion Policy

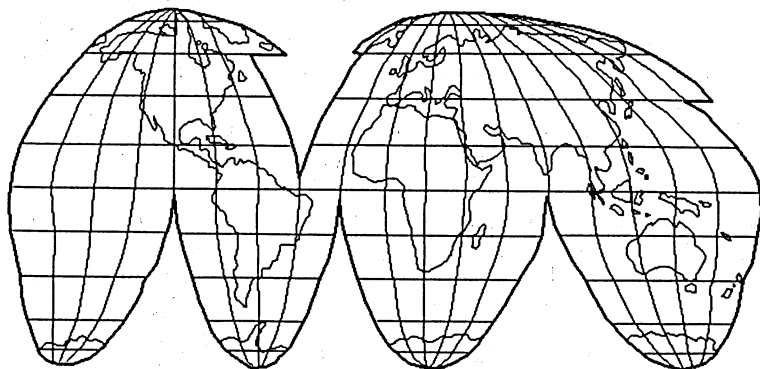


in a
**Global
Economy**

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Commodity Promotion Policy



in a **Global Economy**

EDITED BY

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DISCUSSION SUMMARY: AN ANALYTICAL FRAMEWORK FOR POLICY ISSUES

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Following the presentations in this session, and prior to any questions from the audience, Dermot Hayes stated that his intention was not to criticize any voluntary promotion programs. He said, based on his reading of the evidence, his sympathies lie with those producers who prefer not to fund promotion programs but are forced to do so when mandatory programs are legislated. He also expressed a methodological concern about the robustness of econometric evaluation models. Hayes suggested the results of many models can be substantially altered with only minor modifications to the model, a situation that does not, or should not, engender much confidence. Ron Ward responded to this last point by stating that, in his opinion, a significant positive result is more important than the exact level of any specific estimate.

The first questioner wondered whether, since different models give different results, promotion boards should fund more evaluation research or simply quit funding such research since it may never produce definitive answers as to promotion effectiveness. Henry Kinnucan conceded definitive answers were unlikely to be found, but suggested that, by proceeding in the spirit of the scientific approach, researchers could continually improve their analyses and come closer to definitive answers even if they never quite obtain them. Hayes agreed research is useful and should be undertaken. However, he suggested time series analysis, the basis for much evaluation research, may not be the most appropriate approach. Hayes instead advocated wider use of controlled experimentation. He admitted such experiments are very costly, but suggested there are situations in which their usefulness justifies the cost. Ward said the National Dairy Board had invested a considerable amount of money in experimental research in its early days without much payoff. He mentioned that, in his work, he is using not only time series, but also panel data. He believes the panel data can be a rich source of information on consumers' health and nutritional concerns and can be useful in efforts to relate such concerns to consumption behavior.

When asked whether promotion of commodities outside the meat sector was also a zero-sum game, Hayes responded that, on a per

capita basis, the total food market is constrained. This being the case, he said he believed it is likely the zero-sum game is the case for more than just meats and that this argues strongly against mandatory programs.

The next question dealt with potential returns to promotion, and how boards can best allocate expenditures. Hayes suggested that, although current expenditures will likely always be made "where the market is today," boards should always be looking to where the market will be in the future and allocating their expenditures to take the best advantage of potential markets. Hayes mentioned the Irish beef export program, which happens to be mandatory, as an example of a successful expenditure allocation resulting in increased consumption of Irish beef in both England and France.

This last example generated an observation from the audience that, in the United States, Congressionally-authorized export promotion money must be spent. This was followed by another participant wondering what rationale can be developed for spending public money on foreign market development.

The question was then raised as to whether or not foreign market development is a zero-sum game. Hayes suggests that with very low levels of meat consumption in many foreign markets—Japan and Hong Kong, to name two—prospects for successful meat export promotion were probably quite good.

This discussion period closed with a question about declining industry segments, resulting from shifting tastes and preferences within a more-or-less fixed total demand for food. The questioner wondered whether or not promotion programs could soften the impact of such declines. Ward responded that policies should aim to enhance competition, and that this, in turn, should improve industry viability. However, he added a cautionary note that it is not always possible to model individual program elements. For example, nutrition education programs may lead to welfare gains, but such gains are usually ignored because they cannot be measured. So, in some cases (of declining industries, and otherwise) there may in fact be program effects that exist but are difficult, or impossible, to account for.

At the close of the discussion, it was noted that NEC-63 has matured in its approach to analytical issues. The group has, over time, developed an appreciation for both the strengths and the limitations of various evaluation procedures. Ideally, recognition that not every type of evaluation is amenable to econometric modeling should provide an impetus for developing a portfolio of evaluation activities. The closing observation was that we have come a long way from the days when evaluations had no analytical underpinnings.