



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.

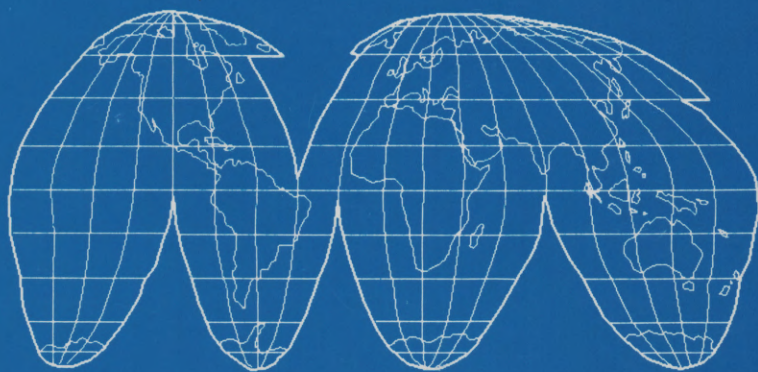
Help ensure our sustainability.

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.*

Commodity Promotion Policy

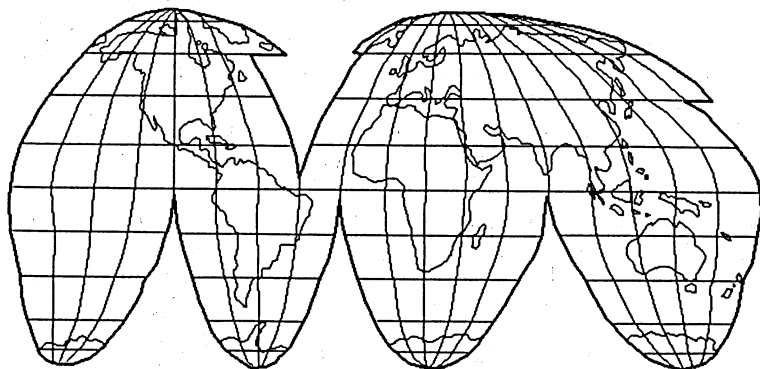


in a
**Global
Economy**

Proceedings of a Symposium
October 22-23, 1992

Arlington, Virginia

Commodity Promotion Policy



in a **Global Economy**

EDITED BY

Walter J. Armbruster and John E. Lenz

SPONSORED BY

*NEC-63 Research Committee
On Commodity Promotion
Agricultural Marketing Service, USDA
Economic Research Service, USDA
Foreign Agricultural Service, USDA
Farm Foundation*

PUBLISHED BY

*Farm Foundation
1211 West 22nd Street
Oak Brook, IL 60521-2197
1993*

MANAGEMENT DECISIONS, PUBLIC OVERSIGHT AND DATA NEEDS

Tom Cox
University of Wisconsin-Madison

Early on in my involvement with commodity promotion evaluation, I was having a discussion with a program manager about the role of evaluation and oversight. He made a fairly heated comment, something to the effect that, "No pointy-headed academic is going to tell me how to run my program!" Being an academic type, I quickly checked to see if my point was showing and came to the conclusion that my hair was probably beginning to thin on top. More seriously, though, I thought about his comment for quite a bit before coming to the conclusion that he was probably right in some fundamental respects.

This episode has motivated my search—which is still in process, as I think is true for the Northeast Regional Research Committee on Commodity Promotion (NEC-63) group in general—into the questions about the legitimate role of oversight. What are the appropriate activities that can/should be performed in an oversight capacity? One other observation really struck me as a result of this episode: If management/oversight relationship is adversarial, then the dialogue with respect to data needs is likely to be less than constructive.

The Evolution of Promotion Programs and Oversight/Evaluation

Much of the discussion over the past day and a half has focused on commodity promotion policy in a global economy. I think John Nichols, in his previous remarks, did an excellent job of focusing some of the public policy context by identifying the major market forces shaping the evolution of these programs and how we view them; in particular, how we view the evaluation needs of these programs. As these programs have evolved more and more as farmer self-help programs, there is a very strong component of "privatization" associated with these programs. This dimension perhaps has begun to replace what used to be government directed research and other marketing activities.

Associated with this privatization, a broadening of the definition of promotion, beyond advertising narrowly defined, is increasingly required. The gamut of self-help activities includes wholesale trade

and consumer promotion (in addition to consumer advertising), crisis response management, information management, research and development, and education activities. Clearly, commodity promotion programs are not just for advertising any more; and they are not just for domestic markets.

Yesterday's presentations helped clarify some of the changes in these programs that have paralleled changes in the market forces and, hence, changes in the evaluation policy context. In particular we heard discussion of the increased use of the delayed referendum, more use of federal/state authority to assess and collect these check-off funds as well as more use of federal and state matching funds to target and enhance exports of specific commodities in specific markets. More of the recent programs are becoming less voluntary and many are not providing provisions for checkoff refunds (as a way to decrease free riders).

The discussion of these trends highlights the need for increased flexibility in these programs if they are to become more effective self-help institutions. Associated with this need for increased program flexibility are increased challenges to the dialogue about program management, public oversight and data collection objectives and needs. With respect to data and evaluation, LSII tend to look at this as a dialogue about private versus public interests and internal versus external needs.

The Dual Nature of Oversight/Accountability

One of the strong evaluation themes from yesterday's presentations was accountability to program participants for the dollars spent. To the extent that these commodity promotion boards are financed and run by their members, I think most boards are generally pretty responsive to their members. Additional evaluation issues concern accountability to federal/state agencies with respect to the fact that federal/state authority is used to assess these funds. It is this latter dimension of the commodity promotion/checkoff programs that raises the oversight issue.

Yesterday's presentations clarified for me that there are three key components of oversight: 1) evaluation that the promotion funds are used legitimately given the legislation that created the programs; 2) checking the books to make sure they are "clean"; and 3) evaluation of program effectiveness and efficiency, the more traditional program evaluation with which many researchers are familiar. I suspect this third oversight component is the likely source of my earlier experience with promotion manager sentiment.

Note that there is a fundamental dual nature associated with oversight accountability: a legal and bookkeeping nature (the first and second components) and an effectiveness/efficiency component. I

will focus on the latter evaluation dimension, because this is where the greater challenges lie.

From the private/internal side of the evaluation issue, dairy farmers; pork, soybean and cotton producers; and cattlemen clearly have an interest that their money is well spent in an effective and efficient manner. Public interest and U.S. Department of Agriculture (USDA) oversight, however, have slightly different objectives. There was an interesting comment yesterday concerning the language used by Congress to create these commodity promotion programs. The Congress says, in effect, "We deem it in the public interest to have this legislation." A lot of people apparently do not fully appreciate what this might mean, but, clearly, there are some strings attached to the use of federal/state power to legislate these programs. And these strings relate to how broadly the "public interest" is interpreted and perceived.

This is exactly the dual nature that creates a tension between potentially conflicting goals and objectives of private/internal versus public/external accountability and the means to accomplish these. This then is really the basis of the challenge to us in NEC-63: to explore, facilitate and strengthen the commonality of interest with respect to management decision making and public oversight (which I have narrowed to just the evaluation component).

The Dual Nature of Data Needs

Now to focus this dual private/public challenge, consider the issue of data needs. Basic data are required for "big picture" or macro-oversight evaluation, but, clearly, "one size does not fit all" with respect to the data needs issue. There are a lot of policy contexts with respect to commodity promotion programs that are very, very broad and some that are quite narrow. For example, consider the U.S. dairy promotion program: many spatial markets; many different products; several organizations promote similar products within national and/or regional markets; there are sizable budgets for advertising, research and development, consumer and trade education and promotion; and, there is government intervention through price supports, import quotas and federal/state marketing orders. From a macro/oversight evaluation perspective, this is a very difficult, quantitative measurement problem.

The same is true with respect to foreign markets. From a research perspective, you ideally have to hold constant all of the other conflicting factors influencing the market: exchange rates, trade policy, supply and demand from importers and exporters, etc. Again, this is a very difficult, quantitative measurement problem.

In contrast, consider the case of promotion evaluation for a fairly narrow, well-defined market. A classic example is New York State fluid milk. Here the products and spatial markets are few and well-

defined (fluid milk versus all dairy products in selected major metropolitan markets of New York state). There is only one major generic promotion organization in the region that spends the bulk of its promotional budget on advertising (versus research and development, education, and nonadvertising promotion). There also exist relatively good measures of advertising and product movement on a monthly basis. For these reasons, quantitative promotion evaluation is likely to be much less difficult than in the case of the total U.S. dairy promotion programs.

The point I wish to make is that there exist many promotion evaluation contexts with the potential for strong commonality of interest in gathering good data that will help in the oversight evaluation and with monthly or quarterly management decisions. In contrast, there are many other situations in which it will be very difficult to have this kind of cooperation.

The Potential for Commonality of Interests and Data Needs

To what extent do the data needs of management decision makers and public oversight overlap? Perhaps there are accounting and data management related issues that will provide a basis for developing this commonality of interests; e.g., getting data in common machine-readable format; agreeing on "accounting" guidelines for when/how the promotion expenditures are spent; agreeing on guidelines for measurement of advertising intensity and dealing with overhead expenses associated with these programs, etc.

One challenge to NEC-63, then, is to further this management decision/oversight dialogue, to propose data/evaluation guidelines and perhaps even to identify incentives to facilitate the collection of data in a form useful for public oversight research as well as management decision making. The public/private dilemma arises here as well. There is the chance that the oversight/evaluation activity will suggest these programs are not as effective as one might like. This is a risk people run. However, if you talk to most managers, they really want to know if the program is not effective.

Many of the larger commodity promotion groups have sufficient size economies to provide many of these services for themselves. They have sufficiently large and competent staffs to monitor, collect and interpret the essential data required for effective program management decisions. But what are the smaller commodity promotion programs, those without sufficient staff or, perhaps, without the staff expertise to monitor/collect the data and put it in a form useful for management decisions as well as oversight?

I think there is a better chance that we are going to get good numbers in a quantitative sense if we have a more narrowly defined context. I think it is much more difficult to talk about an overall bottom line to the farm level of the dairy checkoff, for example, than it is to

talk about how successful certain campaigns were in certain markets. Most promotion organizations use a portfolio of activities to accomplish their objectives. It behooves us to use a portfolio of appropriate tools to evaluate these activities. So we have to evolve a better understanding of the strengths and limitations of what quantitative research can do with respect to promotion evaluation. This is clearly part of John Nichols' challenge to us as well: to broaden our working definitions of what evaluation means.

In a very real sense I have to agree with the sentiment expressed by the marketing manager in my earlier story. The key issue here is what faces day-to-day, monthly and quarterly management decision making versus these "big picture" macro evaluation exercises. Unfortunately, from a public oversight perspective, it is these macro policy evaluations that are mostly in demand and precisely those evaluation contexts that are generally more difficult to measure quantitatively.

Clearly, then, there are serious research issues that arise with respect to evaluation methodologies. The NEC-63 group has been committed to exploring these research issues. We are clearly evolving in our evaluation methodologies and our appreciation of the strengths and weaknesses of the tools we bring to bear on the issue. Some promotion activities are much more amenable to quantitative evaluation than others, most of these institutions have a wide variety of activities that are quite legitimate and some of them will be very difficult to measure.

Conclusions: Three Challenges

1. Challenge to Evaluation Researchers

The first challenge is to the "pointy-headed" types, the academic researchers. Their challenge is to get more "real," to become more relevant to program managers as a source of research expertise. I think we had some indications yesterday that our traditional supply and demand models, while appropriate in many contexts, are seriously lacking in others. To the extent that specific promotion program objectives are to influence attitudes as precursors to changing behavior, we need to incorporate this in our econometric-based, evaluation modeling. Clearly we are beginning to evolve in this direction. We are beginning to take broader perspectives with respect to the tools used to address these issues. Perhaps we can provide help with data base management, with a better linkage between analysis and decision making. There are several examples of this around, illustrating good management, decision making, and oversight cooperation.

2. Challenge to Program Managers

The second challenge is to program managers who, although they may view public oversight more as a nuisance, need to help educate researchers about their daily, weekly and quarterly decision-making needs. I know many managers get reams and reams of data that are often very difficult to make useful. Researchers may be of some assistance in this context. The challenge to managers is to help researchers to get more real, to help educate researchers in management needs, functions and constraints.

3. Challenge to NEC-63

My third and concluding challenge is the challenge to NEC-63. This challenge is to continue to foster the dialogue between managers and oversight types and to sponsor a joint effort to identify and establish guidelines for data management. One issue I find very frustrating is that, unless we gather promotion data in a way that will be useful for evaluation on a systematic basis, we will never have good evaluation numbers. To me this is quite clear. However, to the extent there are adversarial managerial/evaluation relationships with respect to these data and information needs, we will not make good progress on that front. This is a serious challenge to the NEC-63 group to continue to foster the dialogue so we can begin to gather better data on a more systematic basis in a fashion that will be useful both to management decision making as well as public oversight.

The NEC-63 has contributed to the dialogue and evolution of these issues. As commodity promotion institutions have evolved, so have their usefulness as farmer self-help programs. As the activities undertaken to accomplish self-help objectives have expanded and evolved, it seems clear we need to evolve the means and criteria by which we evaluate these programs. This, as well as promoting a better understanding of the strengths and weaknesses of program evaluation, is the continual challenge to NEC-63.