



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.*

No endorsement of AgEcon Search or its fundraising activities by the author(s) of the following work or their employer(s) is intended or implied.

NCCC-134

APPLIED COMMODITY PRICE ANALYSIS, FORECASTING AND MARKET RISK MANAGEMENT

Research Topics Suggested by Extension Marketing Economists

by

B. Wade Brorsen and Kim Anderson

Suggested citation format:

Brorsen, B. W., and K. Anderson. 1997. "Research Topics Suggested by Extension Marketing Economists." Proceedings of the NCR-134 Conference on Applied Commodity Price Analysis, Forecasting, and Market Risk Management. Chicago, IL. [<http://www.farmdoc.uiuc.edu/nccc134>].

Research Topics Suggested by Extension Marketing Economists

B. Wade Brorsen and Kim Anderson¹

Extension marketing economists were surveyed and asked what they considered to be the most important unanswered research question in agricultural marketing. The most frequent response was marketing strategies that increase income, reduce risk, or both. The second most frequent response was vertical coordination/contracting in order to assure product quality. Past and current NCR-134 Conference papers have addressed these topics. Thus, the NCR-134 group appears to be addressing relevant topics. The question then is, if NCR-134 is addressing the right topics, then why is there a perceived gap between research and extension?

Introduction

The agricultural economics literature stipulates that there is a gap between research and extension. This gap is illustrated in the fact that many extension economists are not members of our professional associations. There certainly is a desire on the part of many to help close this gap. As part of the effort, extension marketing economists were surveyed and asked what they believed was the most important unanswered research question. This paper reports and analyzes these answers. The topics suggested are placed into general categories and then compared to topics studied in papers at recent NCR-134 meetings.

Procedures

It was attempted to survey the entire population of extension marketing economists in the United States. The survey was sent by USDA/CSREES to the 103 agricultural extension economists on USDA/CSREES's electronic mail list (Bahn). Each recipient was asked to complete the survey and return the survey by FAX, or mail. Thirty-five of the 103 surveys were returned. The survey was conducted in Spring 1996.

The authors obtained USDA/CSREES's electronic mail addresses and eliminated 28 addresses of agricultural economists who were known to not be working in the area of marketing. The authors sent a follow-up survey to the remaining 41 agricultural economists

¹Brorsen is a regents professor and Anderson is a professor in the Department of Agricultural Economics at Oklahoma State University.

by electronic mail. The second survey asked the recipient, if the survey was not applicable to them, to either notify the authors and/or to give the survey to someone working in extension marketing who had not received a survey. Two more surveys were sent to known extension economists. Of the original list of 103 economists, 34 were determined not to be conducting extension marketing programs. Fifty of the remaining 69 returned the survey. An additional 15 marketing economists returned the survey for a total of 65 surveys returned. Some of the economists who returned the survey only completed survey sections considered applicable to their programs. This resulted in 60 useable surveys. We remind the reader that we are surveying a population so the usual concerns about random sampling do not apply here.

The electronic mail survey method was successful in reducing costs to the authors. It was also successful in terms of speed. The survey was sent as an attached ASCII file and in some cases, the formatting was lost. At least one of the incomplete surveys was due to the lost formatting.

Characteristics of Survey Respondents

Extension marketing programs vary depending on whether or not a futures market exists. Therefore, results are presented separately for extension economists whose primary ($\geq 50\%$) responsibility is for commodities with futures (futures economist) and for those whose primary responsibility is for commodities without futures (non-futures economists; Table 1). Dairy and poultry were classified as not having futures even though a broilers futures market existed for a short time and futures markets of dairy products are just starting. The largest non-futures commodity responsibility is fruits and vegetables. Futures economists, on the average, estimated that 70.7 percent of their appointment was extension marketing. Non-futures economists estimated that, on average, 47.6 percent of their appointment was extension marketing.

Responses of Extension Economists

The extension economists were asked "what is the most important unanswered research question in agricultural marketing?" Thirty-five of the 60 economists responded with a useable suggestion. Two cynical responses were deleted. The responses are listed in Table 2. A few are not achievable, but most are very reasonable. Also most are broad research objectives which would be appropriate for NCR-134 rather than for a single paper. One of the suggestions, "the debate continues on whether efficient markets allow for price prediction and whether preharvest pricing strategies increase return to farm enterprises relative to selling at harvest" was used as part of the motivation for the debate at this conference.

The responses of the extension marketing economists are categorized in Table 3 along with topics covered in the 1994-1997 NCR-134 Conferences. By far, the most frequent response was for marketing strategies which increased income and/or reduced risk. The second most important category which included studies to improve vertical coordination primarily in terms of meeting specific quality specifications. These are the most two frequent categories for papers at the NCR-134 Conference. This implies that NCR-134 is a major research support group for extension marketing economists. This is not really surprising since many extension economists do present papers at the NCR-134 Conference. Eleven of the 28 papers at this conference are authored or coauthored by extension economists.

There are several categories of NCR-134 papers which do not seem to be of much interest to extension economists. The price discovery, supply/demand, and market integration studies are of interest to federal agencies. The basis and futures/options studies are addressed to futures exchanges and traders. Since the Chicago Mercantile Exchange provides the facilities, it is appropriate that these papers be included as part of NCR-134. The theory/technique papers are addressed to other research economists.

Discussion

While not all of NCR-134 papers address topics of interest to extension marketing economists, the bulk of the papers do generally address topics of interest to them. The question then is why are we not reaching them? Certainly, much research is not ready to be used by extension economists. Much is for commodities not of interest. Some is not very good or tested a method which did not work. Robison blames the incentive system which rewards journal publication. But, that is really no excuse for an applied group like NCR-134. One hypothesis is that relevant research is being done, but extension economists are not using it.

The problem facing researchers is how to reach extension economists who do not read professional journals and do not come to professional meetings (and often go to their own sessions when they do)? Thus, we expect a considerable lag between research findings and their adoption by extension economists. Further, many extension economists want to present their own work which they know how to defend. Also, they want results using data from their state.

Our professional journals cover a wide range of topics. Thus, there are only very few articles of interest even to researchers in a given issue of a journal. Journal articles are also hard to read because they assume a level of knowledge that very few researchers possess. Journal articles are written for other researchers in the specialty area. Thus, journal articles should not really be expected to be a major way of reaching extension economists.

One thing that NCR-134 members have recently done is to provide synthesis papers (eg. Irwin; Tomek). These are not merely review papers, but papers designed to synthesize a set of literature and attempt to reach a conclusion. But, even these are somewhat technical and are not

genuinely written for extension economists. Another thing that can and is being done is to work together on research projects with extension economists. By working together, researchers can educate extension economists about the latest research findings and techniques. The extension economists can educate the researchers about how to make their research relevant. In particular, research results need to be put in a form that can be understood by producers. Finally, researchers may have to do their own extension such as publishing articles in farm magazines. It certainly appears that the bulk of research presented at NCR-134 is at least trying to address relevant issues.

References

- Bahn, H. Unpublished list of electronic mail addresses. Economic Research Service, United States Department of Agriculture, Washington, D.C., 1996.
- Irwin, S. H. "The Economic Value of Situation and Outlook Programs." Unpub. Manuscript, The Ohio State University, 1997.
- Robison, L. J., and D. Colyer. "Reflections on Relevance of Professional Journals." *Journal of Agricultural and Applied Economics* 26(July 1994):19-34.
- Tomek, W. G. "Commodity Futures Prices As Forecasts." Working paper WP96-07 Dept. Agr., Resour., and Manag. Econ., Cornell Univ., August 1996.

Table 1. Characteristics of Extension Marketing Survey Respondents

Item	All	Mostly Futures	Mostly Non-futures
Number of Respondents	60	34	26
Years in Extension	16.1	16.1	16
Percent Appointment			
Extension Marketing	61.1%	70.7%	47.6%
Other Extension	19.6	16.1	24.6
Research	10.5	7.9	14.2
Teaching	8.7	5.3	13.6
Commodity Responsibility			
Corn	10%	16.5%	0.8%
Soybeans	6	9.7	0.7
Wheat	8.2	13.4	0.9
Other Grains	3.4	4.8	1.5
Cotton	4.1	6.9	0.1
Fruit & Vegetables	18.1	2.9	39.7
Slaughter Cattle	8.2	13.8	1
Feeder Cattle	8.9	15.1	0.2
Finished Hogs	6.6	8.9	3.3
Dairy	7.3	1	4.3
Poultry	1.9	0.3	4.3
Other	17.3	7.3	31.4

Table 2. Extension Marketing Economists Responses to the Question: What Is the Most Important Unanswered Research Question?

Local basis patterns.

How marketing fits into a strategic management framework.

Impact of the new farm bill on price volatility.

Examples of specific, useable strategies which afford profit.

What "truly is" eg. cash contracts: we all teach minimum price contracting in our workshops, but how many firms in my state really offer them? What degree do they differ?

Option strategies, i.e., which contract, strike price, and combining options with futures?

How to improve return on investment in marketing without using futures/option strategies!

How to consistently be profitable.

Locally: issues regarding economics of size and choice of apple variety to plant or replant.

Why people market the way they do. More important what would make them change the way they market?

What type of price discovery system is needed in a concentrated market structure and what will the impact of that system be on producers?

How to deal with the pain and emotion of making marketing decisions.

Developing a system that controls quality and consistency of quality from the seed stocks through production and marketing. This includes how contracts should be written and negotiated.

How producers must adapt their operations to survive in a freer market.

Small farmer strategies for reducing price risk.

What is the supply-demand situation worldwide likely to be for quality wines in five years? To what extent does NAFTA account for the woes of Florida tomato growers?

Most marketing and risk management research is not able to consider all constraints which a farmer considers in decision-making. Definitions of risk and risk models are inadequate.

The debate continues on whether efficient markets allow for price prediction and whether preharvest pricing strategies increase return to farm enterprises relative to selling at harvest.

Table 2. continued

Premiums and discounts for quality.

Livestock: product pricing (meat) beyond the packer. Packers are interested in margin and volume, not price level, which impacts livestock producers.

How did Hillary Clinton make all that money trading live cattle futures?

What is the optimal marketing strategy that allows a farmer to maximize his wealth and annual consumption over time subject to his willingness to accept risk of bankruptcy, subject to productivity

Supply forecasting for fruits and vegetables.

(1) Technical analysis, what is it? How to use it? When does it apply? (2) What constitutes an effective hedging strategy via commodity (corn, soybeans, wheat)?

How to maximize income, yet minimize risk.

Quantifying the true nature of risk facing producers.

How to predict the standard error around a point forecast in order to estimate the probability of a price a given percent below the forecast price.

The effect of packer concentration on competition in the meat industry.

General pricing relationships between markets (market integration, market areas, etc.) This includes relationship between domestic and international markets.

Weather.

How in detail, do farmers/ranchers make decisions, info used, how, relative importance, mental decision-making model etc. I'm not sure we truly understand the people we try to help and teach.

Market signals which may be used to implement marketing tools.

Allowing the system to take advantage of current technologies (communication, grading, transportation, etc.).

The leakage between hedging price risk and income risk.

How to get farmers on the front end of price determination, rather than on the residual price taking end.

Table 3. Classification of Topics Suggested by Extension Marketing Economists and Topics of Papers at the NCR-134 Conference.

Topic	Extension Economists	NCR-134 Conference			
		1997	1996	1995	1994
Mktg. Strategies-normative	13	11	8	7	7
Quality/Vertical Coord./Contracts	5	5	2	3	2
Mkt. Power	2	0	2	1	0
Mktg. Strategies-positivistic	2	3	0	1	0
Policy analyses	2	0	1	1	1
Price discovery	1	0	4	1	4
Supply/demand	1	0	0	2	2
Market integration	1	2	4	0	2
Basis	1	3	0	2	0
Futures/options	0	3	6	8	4
Theory/technique	0	0	1	2	2