PRIORITIES FOR MARKETING RESEARCH AND EDUCATION PROGRAMS

"Reevaluation of Traditional Program Areas"

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A useful place to begin this process of reevaluation is to examine recent trends in resources devoted to research in the various program areas within marketing. Upon doing so one finds, when looking at the percentage changes in scientist man years since 1968 (with nearly the same results when looking at REAL dollars expended):

large decreases in;
- grades and standards research
- marketing of timber products
- marketing firm efficiency
- domestic market development and food services (704)

significant decreases in;
- competitive relations and interregional trade
- foreign product development and marketing programs
- agricultural statistics (less manpower although more REAL $)

large increases in;
- supply, demand, and price analysis (including timber products)
- food consumption habits
- agricultural economic changes
- foreign market development
- timber price analyses

slight increases in;
- marketing system performance
- group action and bargaining

no change in;
- government programs.

For the remainder of our time I want to review with you some of these trends with the hopes of providing some basis for discussion during this session.

The increase in supply, demand, and price analyses is certainly consistent with the needs of the times. Both private industry and policy makers need reliable information to carry out day-to-day operations and

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*Talk given at Annual Meetings of American Agricultural Economics Association, Reno, Nevada, July 27-30, 1986.

make long-range plans. Commodity prices have become increasingly volatile since the early 1970s. This is due to increasing interdependencies between and among agricultural sectors. Agricultural and nonagricultural sectors of domestic markets are also affected by political and/or foreign policy changes. Clearly inaccurate price expectations lead to poor resource allocation decisions. The increased resources in this area reflects, in part, these concerns.

Better economic forecasts leading to improved management decisions in both the public and private components of the agribusiness economy, offer potentially large payoffs. While there is an increased need for improved forecasts and risk management, it is also more difficult to anticipate the myriad of factors influencing market price behavior. Numerous clientele groups are dissatisfied with the performance of many public and private analysts.

Testing new forecasting approaches as well as periodically updating previous models to reflect more accurately gradual changes which may occur in some behavioral relationships over time is part and parcel of this area of work. When major structural changes occur in the market, market analysts sometimes need to add totally new dimensions to forecasting models.

The increase in research on food consumption habits similarly appears to be consistent with the continuing need to assess changing consumption patterns.

The decrease in marketing firm efficiency research and market development would appear to be justified. For the most part, the food industries are now mature enough and have sufficient economic and/or operational research intelligence to perform many of the tasks previously done by our profession. We should, I suspect, take more than a little pride in the fact that we have been and are still providing much of the training required by the analysts now doing this work! A real concern, though, is as we lose this practical experience will we also lose the training capability and/or interest?

The decrease in foreign product development and marketing programs may well also represent a justifiable transfer of resources from university marketing researchers to other agencies including most particularly market analysts in the pertinent foreign countries. In view of the importance of exports to U.S. farmers, however, this decline is of real concern. In particular, it seems to me, agricultural economists should be much more sensitive to the issues surrounding the exporting of VALUE ADDED products than they have been to date. The relevant industries are way ahead of us in this area at least in terms of studies of particular products. I know of very little research, though, dealing with the aggregate market impacts of increasing exports of such products or the performance of markets for such products or the U.S. competitive advantage in such products.

The decrease in grades and standards research would seem to be highly questionable in view of the current new wave of concern on the part of both the public and industry for the appropriateness of current grades and

standards, with who should pay for the cost of grading and standardization -- the government or farmers, with the economic impact of new grades and standards, and with food safety and nutrition, product labelling, irradiation, etc.

Substantial changes are occurring in the competitive positions of agricultural industries in the U.S. These shifts in competitive position and comparative advantage are the result of a variety of factors, including changes in production and processing technology, energy prices, transportation systems, water availability, and relocation and geographic redistribution of consumers. Because of these changes there is a need to conduct more research on interregional competition, plant location, and transportation. Yet the resources devoted to this area of work have been declining!

Future efforts in spatial research should include a comparison of model solutions with actual market results. This type of research is not complete until an assessment is made of the divergencies between model results and market results; divergencies must be appropriately attributed to model limitations, data inaccuracies, or instances of inadequate market performance.

The theoretical basis for studying issues in interregional competition and plant location is solidly grounded. A strong recommendation of the committee for future work in this area is to improve the empirical content of existing models.

Most spatial equilibrium studies of the past were concerned with a single commodity and sector, were based on perfectly competitive assumptions, and were purely static in nature. This may have been appropriate for previous eras, but it is not realistic in today's economic environment. Farmers are now much less dependent than in days past on agriculture as the sole source of their family income. Thus the nonfarm economy presents a real alternative for employment of farm resources and this fact needs to be captured by models designed to address regional comparative advantage. Further, most of our industries are characterized by various elements of imperfect competition. Again this fact must be incorporated into our models to enhance our understanding of competitive interrelationships.

While transportation is an integral part of interregional competition and plant location analysis, there is an important and often overlooked body of research devoted purely to transportation. While several studies have been completed in the transportation area, these studies have been primarily descriptive in nature or have been designed to determine the appropriateness of rate structures. Recently several projects have been aimed at studying the impact of deregulation. Very little research has been done on the design of alternative transportation systems for a region. An unhealthy regional transportation system will contriburte substantially to the decline in both input and output markets, which in turn has significant consequences not only on the region's ability to support production, but also on its capacity to provide off-farm opportunities for farm people.

It would also appear to me that there is room for much more innovative research on the impact of future technology on industry structure and competitiveness. For example, many resources are expended by the dairy industry in moving and storing WATER. It would seem to me fruitful to devote considerable resources to building models capable of anticipating changes and efficiencies associated with an alternative product form. These models might be spatial models, system simulation models or some combination.

The modest increase in resources devoted to marketing system performance should also be of concern to the profession. Issues relating to control and performance of U.S. agricultural food and fiber systems will continue to arouse attention and debate in the next decades. These issues include problem areas like the impact of horizontal, vertical, and conglomerate mergers; the effect of inflation on industry organization; the role of generic and brand-name advertising on industry structure and performance; and market power in food and fiber industries with a high degree of seller or buyer concentration. The trend toward fewer and larger food processors prompts producer concerns over the adequacy of competition.

The pricing and coordination systems linking the many levels in production and marketing require careful analysis. Not only is efficiency a key concern, but the equity with which each organizational structure and coordination system distributes the risks and rewards to producers, processors, and distributors is extremely important.

The increasingly complex interrelationships between the agricultural sector, the non-agricultural sector, and the world economy will play an important role in competition and performance and will deserve special research attention in the years ahead.

Dispite the widespread involvement of cooperatives in both markets for commodities and farm supplies, there has been a general decline in research on the cooperative form of business organization. Some recent cases of bankruptcy and failure, as well as the continuing question of the role of cooperatives in enhancing farmer's market power, suggest the need for renewed research attention to cooperatives. Major needs would appear to include: (a) testing emerging theories of cooperative behavior, (b) evaluating the efficiency of alternative organizational and financial structures, (c) evaluating the role and performance of cooperatives in producer-processor markets, (d) determining the characteristics of performance, (e) evaluating factors affecting member control and management relationships, (f) determining the effect of farmer cooperatives on producer welfare, and (g) developing guidelines for improved cooperative planning and coordination.

I will conclude with a comment about the diminished support for data collection that I think should be of particular concern to all agricultural economists. Part of the problem here might be attributable to the fact that there is an ever increasing proportion of agricultural products not traded on auction-type markets so that it is becoming increasingly difficult to collect data that is representative of traded goods. A more important part of the problem is that public support for data collection is currently receiving very low priority.

This is a deplorable state of affairs. As a result we must rely more and more on the private sector for our data, but too frequently we do not know how representative such data is, we know little if anything about the sampling procedures, whether sound collection procedures were used, etc.

One consequence of all this is that we haven't really been able to increase our understanding of some of the most fundamental relationships needed for sound analyses. A case in point here is knowledge about regional supply and demand relationships needed for studying competitive interrelationships between regions. What this fosters is, I am afraid, modelers who develop new and innovative techniques with the misguided hope of discovering truth from little or no historical knowledge!