



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.

Comment 2 on ‘Agricultural Markets and Marketing Policies’ by Griffith and Watson

David Godden[†]

Watson and Griffith write of the “deregulation” of agricultural markets’ that ‘This is not the result of governments accepting the predilections of economists in favour of laissez-faire. The opposite has often been the case’. (p. 1) Assessing the impact of economics research in agricultural marketing over the last 60 years is a monumental task, and the authors do not attempt a comprehensive analysis. And maybe such an assessment is not one for agricultural economists to undertake – although they must be involved as informants at least. Agricultural economists usually disdain case studies and, similarly, anecdote about economists’ contributions in the policy field is inadequate as a research method. The task is probably one also demanding the skills of economic historians or historians of economic thought. Agricultural economists’ skills and methods are not well suited to this task, in part because it is difficult to construct a null hypothesis.

Watson and Griffiths rightly identify Phillips (1968) as seminal in evaluating marketing, especially in agriculture, because ‘issues concerning information were central to the whole idea of marketing’ (p. 3). Some implications of Phillips’ work are important for understanding the evolution of marketing and marketing policy. A ‘respectable’ case for marketing intervention might be that, prior to the Second World War, lack of good physical infrastructure and electronic communications meant that farmers largely depended on local buyers for marketing their products and, with few local buyers, there might have been insufficient competition to ensure farmers received the competitive price for their products. Investment in transport infrastructure and subsequently, and more dramatically, improvements in telecommunications leading initially to better telephony and ultimately Internet broadband services gave farmers access to market information that was previously unavailable. In Marxian terms, this technological change in the base (or substructure) enabled – perhaps forced – changes in the superstructure including marketing intervention. A succinct summary of key changes in the substructure would have provided a useful platform for explaining the often-tortuous evolution of marketing policy.

Although Watson and Griffiths eschewed making assessments agricultural economists’ contributions, they provide some tantalising hints about what agricultural economists did and did not do in the marketing area. For

[†] David Godden (email: godinoz1@gmail.com) is an Adjunct Research Professor at Charles Stuart University.

example, they commented that ‘Issues at stake [in RPS debate] included . . . conjectures about price elasticities . . .’ (p. 7) – and it is germane to ask, given the available econometric arsenal, why it was not possible to do better than simply make ‘conjectures’ about price elasticities. They noted that ‘Recent evaluations . . . have concluded that the MSA scheme meets most if not all of the criteria for an efficient grading scheme proposed by Freebairn almost fifty years ago’ (p. 16) without considering whether or not this outcome was simply serendipitous. In the original version, they also commented that ‘Data that would allow the pros and cons of the single desk [in wheat marketing] to be tested empirically is difficult to come by. We have to rely on a priori reasoning’ (p. 11, emphasis added). But, if the best agricultural economists can do is to rely on empirically unverified and merely theoretical ‘a priori reasoning’, do they comprise a profession – or risk being simply considered as just another interest group? And there seems to be a philosophical problem in citing the lack of evidence as evidence: ‘the levy for promotion increased at a faster rate than the levy for R&D, in spite of the lack of convincing evidence that more promotion resulted in higher producer profits’. (p. 16).

Finally, early agricultural economics analysis of marketing lives on in debates far removed from agriculture. Watson and Griffiths noted ‘the infamous “cost of production” formula that had been demolished by a youthful Keith Campbell in 1944’. (p. 11) Cost of production for price setting reared its ugly head in a 2012 inquiry by the NSW Independent Pricing and Regulatory Tribunal of NSW into taxi fares (<http://www.ipart.nsw.gov.au/Home/Industries/Transport/Reviews/Taxi>); ironically, the cost of production survey was undertaken by a reputable consulting firm that was established by Australian agricultural economists. The present author took great pleasure in citing to the Tribunal the same 1944 *Journal of the Australian Institute of Agricultural Science* paper by Campbell.

References

- Campbell, K.O. (1944). Production Cost Studies as a Field of Research in Agricultural Economics, *Journal of the Australian Institute of Agricultural Science* 10(1), 31–37.
- Phillips, J. (1968). A Revised Approach to Marketing, *Review of Marketing and Agricultural Economics* 34(2), 28–36.