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# Involvement of Agricultural Economics in Graduate Agribusiness Programs: An Uncomfortable Linkage

Arlo W. Biere

Departments of agricultural economics face a changing environment. Some argue for the adoption of the Master of Agribusiness degree. I argue that agribusiness is not well differentiated from agricultural economics and that the forte of agricultural economics departments is teaching applied economics, not teaching management. Furthermore, in today's dynamic, open economy, a good understanding of economics is more valuable than ever before. Rather than leave our area of strength, we should look to improve our current degree programs given today's business needs.

*Key words:* agribusiness, graduate programs, masters.

Like all of agriculture, our academic departments of agricultural economics are facing a changing environment. Changes have been most obvious with the dramatic fall in this decade in the demand for U.S. farm products. Some see us at a crossroads and are asking us to take a new road to a new land. Their promised land is agribusiness and their city is the Master of Agribusiness. I see their route as dangerous and their destination no more promising than the land they seek to leave. Now is not the time to be a wanderer. Rather, now is the time to tend the land we possess, to nurture it, and to make it more productive.

A changed environment may not dictate a changed response. A new response is warranted when the new environment presents new opportunities and when the profession has a comparative advantage in one or more of the new opportunities. I believe that the profession's new found interest in agribusiness, unfortunately, stems less from newly developing opportunities than from fears of the impact of declines in demand for our traditional prod-

ucts. Therefore, I believe that we must assess carefully our past, our present disposition, and the factors that will determine our future comparative advantage.

I shall discuss the causes of recent declines in student enrollment in agriculture and in agricultural economics that have added interest in the Master of Agribusiness degree, appraise the movement in the profession toward that degree, argue that we should not abandon our tradition, and propose how we could enhance our current M.S. programs.

Throughout my presentation, I wish to stress two points: (a) agribusiness, as a program or as a discipline, is not well differentiated from agricultural economics and, (b) our forte is applied economics not management.

## The Changing Status of Agricultural Economics

Agricultural economics is a young discipline, having been formed in this century. It is an applied discipline. It was born not out of a need for a focus on a new field of inquiry concerning basic knowledge but rather out of a need to address the economic problems facing farmers. In a university environment, that distinction is important because a department engaged in a basic discipline has a well-defined academic territory, but a department in an ap-

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plied field is always plagued with questions of overlap with the basic discipline from which it draws its intellectual life or of overlap with closely related applied disciplines. For agricultural economics, that means contending with departments of economics and with colleges of business administration over questions of territory.

Over the years, we have striven to broaden the scope of our discipline from the economics of farming to the economics of all of agriculture. We changed the name of the Western Farm Economics Association to the Western Agricultural Economics Association and, even earlier, we changed the name of the American Farm Economics Association to the American Agricultural Economics Association. The name changes correctly reflect the fact that our discipline deals with all aspects of agriculture, not just farming. Still, the focus of our discipline is centered on the farm.

We instinctively identify with full-time family farmers, but they are disappearing and are being replaced by giant corporate farms and small part-time farms. Somehow our contacts and relations with those operating corporate farms and agribusinesses are not like those we have had with family farmers.

As a part of agriculture, our discipline is feeling the effects of the current farm crisis. Downsizing is the current word in agriculture. Along with downsizing come fewer farms and farmers, economic stress on farm dependent rural communities, and migration to urban opportunities. The few years of high returns in the seventies imparted optimism in agriculture and nearly stalled the economic adjustments in farming that had been occurring since the turn of the century. But it proved to be a false signal, making today's adjustments even more severe.

Although farm numbers have been falling for a long time, the current decline is seen as more threatening to agricultural economics departments. Except for the decline that followed the post-World War II explosion in college enrollment, declining farm numbers did not reduce enrollments in the colleges of agriculture because an ever-increasing proportion of high school graduates enrolled in college, and many with farm and rural backgrounds enrolled in agriculture. So, the long-term trends in agriculture were not reflected in enrollment trends in the colleges of agriculture. Now, however, the proportion of high school graduates en-

rolling in colleges is no longer increasing, and the severity of the current farm crisis has reduced the proportion choosing agriculture.

Another aspect is the dynamics of the demand for Ph.D. graduates. In the 1960s, the increasing college enrollments and public support for research and academic programs translated into increasing demands for Ph.D. graduates. Agricultural economics departments, like other academic departments, responded with larger graduate programs and more Ph.D.s. M.S. degree programs became more tied to the Ph.D. program, and academic research became more disciplinary—to complement the Ph.D. program. But our Ph.D. degree programs face a situation similar to that facing manufacturers of center-pivot irrigation systems. Once the program expansion needs have been met, the only demand is for replacements. In the case of the demand for Ph.D. graduates, there is a feedback effect. Falling demand leads to smaller Ph.D. programs, further decreasing the demand for new Ph.D. graduates. In the interest of maintaining graduate enrollments, the focus has been shifting slowly to the master's degree program.

Declining enrollment is not the only source of concern. Declining real budgets in research and extension have added to our woes. Is survival at stake? For those in the profession who measure success by growth, this appears to be a desperate time.

One response has been to champion agribusiness as the growth field for agricultural economics. Agribusiness has been a part of agricultural economics for a long time, but only a part. Now, there are those who wish to expand its role. I wish to raise several issues associated with any proposal to offer a Master of Agribusiness degree.

### **What is Agribusiness?**

To explore the potential opportunities in agribusiness requires, first, defining what is meant by the term agribusiness. In studying its meaning in the profession, I found two definitions.

In practice many agricultural economists associate agribusiness with agricultural marketing and supply firms. That notion is illustrated with a 1959 quote from Miller (p. 1421): "It is questionable whether we can depend upon general management courses in our business schools to provide training as good as from

courses we could teach in agricultural economics based on our research with agricultural marketing and farm supply firms. A recent survey by Professor Gunn, Washington State University, indicates that 14 departments of agricultural economics are now offering a course in this general area."

In this context, agribusiness is used jointly with the term management, as in agribusiness management. The emphasis is on the management of nonfarm, agricultural businesses, for which the American Agricultural Economics Association has assigned a subject matter specialization code.

Another use of the term is found in the profession. A definition for that purpose was provided by Davis and Goldberg when they coined the term. To them, agribusiness is "the sum total of all operations involved in the manufacture and distribution of farm supplies; production operations on the farm; and the storage, processing and distribution of farm commodities and items made from them" (p. 2).

When *Agribusiness: An International Journal* was formed in 1985, its editors adopted the Davis-Goldberg definition of agribusiness and called for manuscripts that "report in a rigorous manner without being unnecessarily quantitative, practical, applied work that is directly useful to farm managers, agribusiness managers, analysts, government policy makers, and academic professionals" (Woolverton, Cramer, and Hammonds, p. 2). Authors were asked to minimize mathematical notation in the article or, if necessary, relegate it to an appendix.

These statements imply that there is no difference in scope between agricultural economics and agribusiness. However, agribusiness articles must (a) appeal to managers, (b) be practical and applied, and (c) avoid the use of mathematics. After comparing articles in *Agribusiness* with those in agricultural economics journals, I have concluded that indeed there is no difference in scope, not even a significantly larger portion of articles dealing with the management of agricultural marketing and supply firms, the area most closely associated with the term agribusiness. However, the articles are less mathematical. Whether they are of interest to managers is hard for me to evaluate; but I think that *Choices*, the new magazine of the AAEA, does a much better job of addressing issues of interest to agribusiness

managers. So what is the uniqueness of agribusiness?

Leading advocates of the Master of Agribusiness, such as Charles French, accept the Davis-Goldberg definition, maybe with more emphasis on management. I question how that definition distinguishes agribusiness from agricultural economics.

Have we been too willing to accept a concept emanating from the business school position? Let us look at it from the viewpoint of turf. Departments of agricultural economics, whose subject matter is an applied field in economics, are continually challenged on the issue of turf. At Kansas State University, that challenge comes repeatedly from the College of Business Administration and is a serious one.

Now, the root word of agribusiness is business, not agriculture. On any campus having a business college, our expansion of offerings in the name of agribusiness will not go without challenge, and business administration will claim most of the prize for two reasons. First, representatives of a college of business administration will argue that business education belongs in their college and agribusiness is business. Second, a good college of business administration will be accredited. French, Niles, and Westgren noted that, but they did not see the threat that it presents to an agricultural economics department seeking to offer a Master of Agribusiness. Like Friedman, I believe that licensing and accreditation serve not so much the public it is supposed to protect but the group that receives the license or accreditation, in this case a college of business administration. Conditions for accreditation can go beyond the specifics regarding the business administration programs. They can prohibit or restrict the teaching of certain subject matter elsewhere on campus. Agricultural economics departments have no such countervailing power.

### Substitution of Management for Economics

Promoters of a Master of Agribusiness program argue that it will better train people for positions in management. Padberg makes the same argument for an undergraduate program in agribusiness management. He argues, "If we want to place more students in agribusiness or other business firms, they must have a curriculum more related to leadership roles, which

blends in more management and product marketing" (p. 1).

A *Forbes* article on the chairmen and presidents of the 400 largest U.S. corporations showed that many had no management degree. Furthermore, of the 302 that held graduate degrees, only 137 had M.B.A.s. There must be routes other than the M.B.A., or management, route. I would argue that in today's dynamic, open economy, a good understanding of the operation of the economy is just as important, and we are well equipped to teach that.

The 1980s have brought back to life the realization that price competition works, even in imperfect competition, a fact some managers have had to learn at a high price to their companies. Nonprice competition as taught by the business schools has limits, and the customer may be more sovereign than the critics of capitalism have been willing to admit.

The rising emphasis is on entrepreneurship. Entrepreneurship involves creativity, technical knowledge, an appreciation of the business environment—the economy, and management. I believe that our current programs are designed to provide that understanding of the economy, and usually our students have some coursework in technical agriculture. We teach some management in our existing programs and frequently use management and product development courses taught in business administration. Applied economics is our forte, and we have something valuable to market to the business world, particularly if we set priorities on economic topics taught according to their importance in the operation of today's economy.

### Adding Another Program

A department is a multiproduct firm. When a new product line is added, it will impact other product lines. An agribusiness program will be competitive with a department's research program and other teaching programs.

Typically, a department's teaching budget is minimal to inadequate for the teaching required, and, thus, some subsidization of teaching from research resources is not uncommon. The addition of an agribusiness masters program will only intensify that pressure for subsidization in two ways. One, the agribusiness graduate teaching likely will be less compatible with our agricultural experiment station re-

search programs. Two, granting graduate research assistant positions to students in the agribusiness program can be very risky because they likely will have little academic interest in the research they are hired to perform, especially because they will not be expected to write a thesis.

The agribusiness M.S. program that my department offered for a short period required the students to have an internship. They were expected to develop, with the assistance of the department, an internship with a firm for the purpose of completing some specified experiential learning, which was to culminate in a report somewhat less demanding than an M.S. thesis or report. It was anticipated that the host firm would support the intern with a scholarship.

Because such internships were difficult to land, students applied for and received graduate research assistantships funded from agricultural experiment station projects in the department. In more than one instance, the student, after receiving an assistantship, successfully sought to change the area of work to something that would support his degree program and not the project for which he had been appointed. This can easily happen unless there is firm, clear, departmental control of the research process, but such control may be hard to obtain without stifling the creativity of the faculty.

### Demand for Graduates

The data on the market for agribusiness graduates are limited. The best available are those on the graduates of the Institute of Agribusiness at the University of Santa Clara. French, Niles, and Westgren report significant opportunities and good salaries for the graduates. But, their survey of graduates shows a distribution of areas of employment much like what we find for our agricultural economics graduates.

Furthermore, can the Santa Clara success be cloned very often? How big is the market? The market for M.B.A. graduates is instructive here. It is the salaries and job opportunities of the graduates from the leading M.B.A. programs that receive the press. But the nation has many less prestigious M.B.A. programs whose graduates compete in a more pedestrian market.

Finally, the tide for the Master of Agribu-

business should not be underestimated. It extends beyond the shores of agricultural economics. Support comes from within business schools and from agribusinesses. There was even a White House Conference on agribusiness education in 1987.

Agricultural economics departments may already have lost significant degrees of freedom concerning this matter. Questions of academic freedom may develop as external pressure is brought to bear on a university. A major agribusiness firm in one of the plains states is offering resources and encouragement to its land grant university to institute a Master of Agribusiness program. That same firm, with the threat of relocating in another state, was successful in extracting tax and other concessions from the state's legislature. The leaders of that business are skilled at politics as well as business. The university had better know what it is doing and be able to anticipate long-term impacts of its responses to that firm's initiatives. Few of us in agricultural economics are familiar with such an environment. After all, we still believe in the "invisible hand"!

Being a little more serious about that last point, I think we must remember the current support base for departments of agricultural economics. State and federal monies finance most of our research and extension efforts. The financing is based on the notion that the output of those programs serves wide elements of the citizenry. To identify too closely with the leaders of corporate agribusinesses could yield impressions of conflict of interest—remember hard tomatoes, hard times; and it could impair the public support for our research and extension programs.

### **Adapting to the Changing Environment**

Although I am skeptical of the wisdom of the profession embarking on the road to the Master of Agribusiness, I am not opposed to change. The environment facing agricultural economics departments is changing and the convergence of several conditions is intensifying the pressures for change. I favor a strategy of carefully assessing our opportunities and selecting those that have the best return, always making sure that the returns outweigh the costs. I am in favor of strategic thinking, which is not the sole domain of business management.

A number of forces coincided to produce the

stress found in agriculture in recent years. I expect agriculture's fate to improve, but I must admit that it will never be what it was during the boom of the 1970s.

While the demand for Ph.D.s at the universities has declined, I believe there are still opportunities for our advanced degree graduates in the business world, as well as some positions in academe. It might appear that I have conceded the need for us to enter the Master of Agribusiness area. But, our strengths are not in business administration, they are in applied economics, in understanding the operation of the agricultural economy, and in integrating economics and technology. Our efforts should emphasize our areas of comparative advantage.

Although the master's degree has become a step towards the Ph.D. degree, many students are interested only in the master's degree. Those who terminate with the M.S. are not likely to be involved in disciplinary research but in management or applied research. Johnson has labelled this subject matter and problem-solving research—applied research that addresses a subject of interest to a set of decision makers facing a set of practical problems or problem solving research designed to solve a specific problem for a specific decision maker.

The reason for the distinction is that those who terminate with the M.S. degree are interested in putting their education to work solving practical problems rather than pursuing knowledge for knowledge's sake.

The distinction is critical to the question of graduate programs in agricultural economics, but not to the degree some think it is. We need to better discern the proper course of study for a student planning to terminate with the M.S. degree and go into business. I do not wish to argue against theory and mathematics, but I believe that we can do a better job of tying up the experience for such students in preparation to solve problems in his life's work. Management, finance, accounting, and marketing courses can be required or recommended, depending on the student's objectives, but I think it is best for us to use basic courses taught in business administration.

We would also be helped by being a little more aware and concerned about the expectations of our graduates' potential employers. In fact, it is the employer's valuation of our M.S. training and education that determines the demand for such graduates. I think we

should give more attention to this because a better market for our graduates would translate to greater student interest.

### Names

What's in a name? That which we call a rose by any other name would smell as sweet—*Romeo and Juliet* by Shakespeare.

While I see the argument for the Master of Agribusiness centered around the push for more concentration in management, there is the other meaning of agribusiness, making it synonymous with what we as agricultural economists call agriculture. To us, agriculture is the whole food and fiber industry. Yet, from its commonplace definition, agriculture is farming. We know what we mean by agriculture, but we may confuse some of our potential clientele, potential students and potential employers of our graduates. I am inclined to argue that the name is not important, but the fate of *Romeo and Juliet* does not support that contention.

Some departments have chosen to substitute for the term agriculture such terms as the food system or food and resources or agribusiness. Should we pay more attention to the names we give to our degree programs? If the choice is to use agribusiness, then we must expect to have at least some campus skirmishes with colleges of business.

### Associations Role

How might the profession consider such issues? I think that learned societies, such as this one, should further the inquiry and debate on such topics, to the benefit of all in the profession and to the benefit of society at large. Beattie and Watts argue for maintaining the role of the learned societies in shaping the future. Surely, this is one such task that needs more attention before we in the profession lose our opportunity to determine our destiny.

The agenda of such an endeavor should include a careful study of the demand for our M.S. and Ph.D. graduates in business to determine what opportunities remain to be exploited, education of potential employers about the qualities of an M.S. in agricultural eco-

nomics, a review of degree requirements, and even a consideration of the number of credit hours to require for a terminal master's degree. Should such a degree require courses in management? Should we teach those courses or use courses taught in business administration? Could portions of our current coursework be altered to provide a better trained applied economist?

I wish to argue that we should be a little more aggressive when it comes to innovation. I think there is more of a market than we have tapped so far. The pool of potential students is larger than realized. And, importantly, agriculture offers an excellent laboratory for the study of applied economics. I do not wish to drag out my laundry list of specifics concerning graduate education. The point is that I believe that we should not abandon those areas in which we have a comparative advantage, applied economics and analysis.

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