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INDUSTRY COOPERATION IN AGRICULTURAL MARKETING RESEARCH

An Experiment Station Viewpoint

by

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Several times during the past few years we have been told of the shortcomings of agricultural marketing research. At the close of his article on "The Impact of War on Marketing Farm Products", Thomsen outlined various inadequacies of research revealed in the needs of war. Later, he expanded this in his "Critical Examination of Marketing Research" in which he made his classic statement. "The time has come to abandon stodgy descriptions and particularizations of the obvious.." Much the same theme runs through articles by Black, Brownlee, Nicholls and others, along with their suggestions as to areas of research from which greatest values may be realized.

These articles have focused our attention on the problem of inadequate research and of our tremendous responsibility under the Research and Marketing Act. To bear this responsibility, we need the cooperation of industry.

The term "industry" may confuse our discussion unless we agree on a common meaning. I am using it in the broad sense of all agencies engaging in the marketing of farm products. Those agencies include all that perform our traditional marketing functions of physically handling the product over time and space, of providing for the exchange of ownership, and of facilitating these transfers of goods and of their ownership. Also included are the processing industries, since, although we generally exclude the creation of form utility from our definition of marketing, these industries are important purchasers of agricultural products and have significant effects on their pricing and marketing. I am, therefore, including every agency that, directly or indirectly, is interested in the farm product from the farmer to the consumer, -- actual handlers, credit and insurance agencies, packaging firms, and the like. If the integration is to be accomplished that Black sees as essential, just such an all-inclusive meaning to "industry" must be used.

The Goal of Marketing Research

Before discussing the problems of industry cooperation, we must give heed to a rather vital question: For whom are the Agricultural Experiment Stations doing their marketing research? To say that their goal is the common good is not adequate; it does not point up the problem that J. B. Say stated so clearly in connection with his discussion of tariffs, "The legislative body has great difficulty in resisting the importunate demands for this kinds of privileges; the applicants are the producers that are to benefit thereby, who can represent, with much plausibility, that their own gains are a gain to the industrious classes, and to the nation at large, their workmen and themselves being members of the industrious classes and of the nation".^{1/} Possibly a few negatives might help us frame our standard. Our research is not for farmers exclusively, or primarily; it is not for consumers exclusively, or primarily; and it is not for industry exclusively. I believe we might set up a standard of maximum welfare of

^{1/} Say, J.B., A Treatise on Political Economy, J.B. Lippincott, and Co., 1859, pp. 146-47.

the economy as a whole which Brownlee has stated as follows: "Welfare for the economy as a whole is at a maximum when no further increase in welfare can be achieved by an economic unit without this action resulting in a reduction in the welfare of other units".^{2/} Our research should be without bias in favor of or against any group or interest. This ideal, probably unattainable, nonetheless can be used as a standard with which we may constantly check ourselves.

To bring up a specific point in this regard, I shall attempt a statement of our attitude toward cooperatives. We are neither pro- nor anti-cooperative. We do accept cooperatives as being a part of our "privately operated system for distributing and marketing agricultural products", but we do not accept the term "cooperation" as a justification in itself for any practice.

Areas of Industry Cooperation

In discussing industry cooperation in research, it might be wise to outline four areas of cooperation:

1. The formulation of the research program.
2. The financing of the research program.
3. The provision of basic information.
4. The operation of controlled experimental projects.

Although the areas overlap somewhat, each involves distinct problems of cooperation.

The Formulation of the Research Program

The experiment Stations need industry suggestions regarding problems requiring research. They should not be limited; in fact, should make it a point not to be limited, in their work to the problems suggested by the industry. It is here that we, as Dr. Hollands expressed it, "are indeed on the spot -- Shall we be ready for the 'heat' or shall we continue to do research that generates little or no heat?" I am assuming that Experiment Station directors, and the other administrators of the marketing program will develop over-all policies which will allow the initiation and continuation of marketing research of what we might term the "probing variety". I am hoping that this program today may help pave the way for better understanding between research agencies and industry so that research of this variety may advance. To reach that understanding I think we should inform industry of our desire to tackle research, with their cooperation, even though resulting conclusions may not always be to their liking; for if we tackle the "fundamental economic research", that Nicholls states, "is badly needed", we shall, according to him, seek the following objectives:

- "1. to discover, ..the basic factors which determine the actual levels of prices, margins, costs, investment and output;
- "2. to appraise the ways in which existing price policies and marketing institutions affect the interest of the farmer, the wage earner and the general public; and
- "3. to suggest institutional changes--legal or economic, public or

^{2/} Brownlee, J.H. Marketing Research and Welfare Economics JFE XXX, No. 1, p. 64, February, 1948

private--by which the social performance of the given markets and marketing agencies could be improved."^{3/}

Brownlee^{4/} came to the conclusion that "These funds (from the Agricultural Marketing Act) will contribute most to the welfare of the economy as a whole if they are devoted to discovering means for improving marketing efficiency, determining the preferences of consumers for various amounts of marketing services, and devising acceptable means for breaking the monopsony power of buyers. The funds will not be well spent if they are devoted to means for increasing the monopoly power of farmers."

These quotations indicate the direction in which we should like to go. Some of the research may produce repercussions within industry or agriculture and may disturb the "status quo". This is not saying that we shall ignore the problems for which men in the industries seek answers and seek research help in obtaining answers; it is saying that we would like a balance between research on those problems arising from industry and research involving these probing analyses of institutions, policies, and practices in marketing.

Another problem faced by each Experiment Station is the problem of balance in research among the various commodity industry interests within the state. Various guides may be used in determining the proportion of cost devoted to each commodity interest: the income from that commodity, the number of people employed in that industry, the number, intensity, and immediacy of the existing problems, and the costliness of the research. None of these is an adequate guide in itself; the use of all of them gives no precise answer, but their consideration should prevent serious lack of balance.

The Financing of the Research Program

The problem of balanced research involves the area of financing. To maintain some sort of balance, it would seem far wiser for various farm and industry groups to support general appropriations for Experiment Stations rather than for each industry to foster legislative appropriations for specific research programs. This is not an objection to special grants from industry; it is a plea that requests for legislative grants to be combined into a single unified budget request.

The development of state commissions with provisions for deductions from the price of each unit of the product has provided for new supplies of funds for advertising, publicity, research or other industry-sponsored activity. The Experiment Station attitude toward these activities is the same as it is toward the marketing extension, regulatory and service work provided in the Agricultural Marketing Act of 1946: More effective work can be accomplished in these lines if guided by an adequate research program.

Grants made by industry groups make possible additional research along specific lines. The acceptance of these grants should in no way affect the station's standard of objectivity in research. In our experience with such grants we have found it desirable to adhere to emphasize four major principles:

1. A project statement should be developed upon which both parties agree.
2. Agreement should be reached as to the use of funds. As a general rule,

^{3/} Nicholls, W.H., "Reorientation of Agricultural Marketing and Price Research", Journal of Farm Economics, XXX, 1, p. 44, February 1948.

^{4/} Ibid, p. 67.

the Experiment Station would prefer to have a free rein to spend the funds in whatever manner seems best in the performance of the research work.

3. The direction of the work is the responsibility of the Experiment Station.
4. The publication of the results and conclusions is the same as for publicity financed research.

The Provision of Basic Information

Perhaps the area of cooperation to which we had better devote much of our thought is that of obtaining the basic information necessary for research analysis. Let us turn back to the formulation of the research program. For those problems suggested by the industry there is little problem in the cooperation in regard to obtaining the necessary information for their solution. But in the area of the research program which is not formulated in cooperation with industry we must face realistically the question posed by Dr. Hollands at the Marketing Conference at Logan, "If this basic problem of oligopoly is studied, how can we obtain records and maintain cooperative working arrangements with private businesses including some cooperatives?"

The solution requires the attention of both the Experiment Stations and industry. Both have responsibilities.

The Experiment Station has the responsibility of providing personnel in whom the men in industry can have confidence and respect. In essence, that means that research men must specialize and each must continuously work with an industry developing an expert knowledge and understanding of the industry and its problems. Much of the criticism of past marketing research has been directed toward the descriptive studies, and at least part of the cause for those descriptive studies, I believe, has been the limited personnel trying to satisfy unlimited demands.

I believe that in passing, we should recognize some risks inherent in the marketing specialist solution. Two risks (other than the obvious one of the loss of the specialist to industry) are:

1. The risk that as the specialist develops his understanding of an industry, he may also lose his objectivity and in a sense become a spokesman for the industry; and
2. At the other extreme, the specialist may reach conclusions which may, in turn, alienate the affections of industry and may thus sever all cooperative relationships.

The ideal situation then would be a well trained research specialist working over a period of years in an industry, helping that industry to solve its problems, studying the industry analytically, stating his conclusions clearly and publicly, and being allowed to continue. Will industry help us in our climb toward that ideal?

If they will, the calibre of research will be considerably greater. Though we tackle these tender areas (and it is most likely that we shall), industry I believe, will fare better if the research on those tender subjects is done by the well trained, experienced specialists that we can develop if we

receive the cooperation of industry in our development program.

Many issues have been discussed with inadequate information. Assumptions are made in our reasoning, assumptions which need testing to see how closely they conform to the true situation. Conclusions based on full information should not be more unpopular than those based upon little information and much surmise. That is our case for industry cooperation in providing basic information for our research.

Much of our research has been and is research by graduate students. Supervisors for the students research have not always been acquainted with the industry in which the research was done. The development of research specialists would increase the amount and quality of that supervisions.

Another problem is that of the use of confidential information. I understand that Federal Agencies that collect such data in the course of regulatory or research work operate under specified rules which guarantee the maintenance of confidential nature of the information. I think we might consider the advisability of our Experiment Stations' drawing up a written code of ethics in regard to the handling of confidential information in research. Most of them are operating with an unwritten code. It might strengthen these cooperative relationships with industry if a uniform code were prepared by our Research Council.

The Operations of Experimental Projects

Our marketing research has led us far from the farm into the retail store and even to the consumer's door. In the field of consumer preference we have met problems requiring experimental sales tests. The difficulties encountered are less basic than those we have been discussing, but are still worth mentioning. Those difficulties are primarily the result of placing experimental controls over normal business operations. Two examples may illustrate the point.

In an experimental testing of a consumer package of apples, a limited number of packages were available; these were stored in a jobber's storage room and distributed through a few retail stores where sales could be checked. The jobber, accustomed to rapid turn-over of produce, bemoaned the use of his space and exerted pressure to expand the number of retail outlets and to push the sale of the product.

In retail stores the presence of research personnel to get names and addresses of consumers purchasing specific test products has often been frowned upon by the store manager. Yet the clerks, even though paid to obtain this information, often are negligent in rush period of business.

The solution, I believe, is fairly simple. It requires experienced research personnel who can fit the experiment into normal business, with the least description; and it requires that the experiment be fully understood by the industry personnel.

Summary

Our job in marketing research is a tremendous one. Experiment Stations and other research agencies in general have barely scratched the surface of the research that needs to be done. We need the cooperation of industry in the development and operation of a program of research that will more nearly meet the demands. We trust that we may conduct this research with enough training, care and objectivity that we may merit the respect, the confidence, and the cooperation of industry.