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Lester H. Myers

2003–2004 President

Les Myers grew up on a small farm in eastern Pennsylvania. He received a B.S. in Poultry Science at Pennsylvania State University in 1961, an M.S. in Agricultural Economics at the University of Connecticut in 1964, and his Ph.D. in Agricultural Economics from Purdue University in 1968. While pursuing his Ph.D., Dr. Myers was also employed as an Agricultural Economist for the Economic Research Service (ERS), U.S. Department of Agriculture (USDA). Upon graduation, he joined the Florida Department of Citrus as a Research Economist and held an adjunct assistant professor position in the Food and Resource Economics department at the University of Florida. In 1976, he became the Economic Research Director for the Florida Department of Citrus. In 1980, Dr. Myers joined Chase Econometrics in Philadelphia as Senior Economist and Director of International Agricultural Services. He became Chief of the Food Marketing and Consumption Economics Branch of the Economic Research Service, USDA in December 1983, where he served until 1992 when he assumed the position of Professor and Head, Department of Agricultural and Applied Economics at Virginia Tech. He retired from Virginia Tech on December 31, 2002.

Dr. Myers conducted numerous consumer demand studies for agricultural products and was an early contributor to research on the effects of generic advertising on consumer demand. At the USDA, he had management responsibility for the agency's research, situation and outlook, and staff analysis programs in the areas of consumer food demand, food manufacturing and distribution, food assistance policy, food marketing, food safety policy, and commodity pricing. He served on the execu-



tive committees of three regional research committees: NC-194, World Food Marketing Systems and Performance; NE-165, Food Marketing Strategies; and NEC-63, Commodity Promotion Research. At the USDA, Dr. Myers chaired the USDA Graduate School's Social and Behavioral Sciences Academic Department and was the ERS representative on the Interagency Board on Nutrition Monitoring and Related Research.

During his career he taught graduate courses in intermediate and advanced consumption and demand. Other teaching assignments included a dual undergraduate–graduate course

in elementary econometrics and an undergraduate course in food and agricultural policy.

Dr. Myers is an active member of the profession, holding a number of leadership positions in the Southern Agricultural Economics Association (SAEA) and the American Agricultural Economics Association (AAEA). He served on the editorial council of the *Southern Journal of Agricultural Economics* and as Associate Editor of the *American Journal of Agricultural Economics*. As an elected member

of the AAEA Executive Board, he served on numerous Association committees and chaired the Finance Committee. In 1995, he was elected to the AAEA Foundation Board of Directors and served as the Foundation's President in 1996–1997. He served as chair of the Southern Agricultural Economics Department chairs/heads and as president of the National Association of Agricultural Economics Administrators. Dr. Myers is a charter member of the SAEA.

Agricultural Economics: A Profession in Transition

Lester H. Myers

The premise of this paper is that agricultural economics, as a distinct subdiscipline of economics, faces perhaps the most serious challenges since struggling for a separate identity nearly a century ago. I fully appreciate the fact that nearly all professional presidential addresses key on the theme of change to one extent or another. However, the environment within which we practice our profession is undergoing such significant transition that I believe radical changes are needed in how we frame and implement our instructional, research, and outreach programs. In his 1986 American Agricultural Economics Association presidential address, Joe Havlicek identified five megatrends affecting agriculture that he believed would have profound implications for our profession: (1) food consumption changes, (2) internationalism and macroeconomic forces, (3) technological change, (4) structural change, and (5) environmentalism. These five trends have indeed manifested themselves in dramatic impacts on our profession. The trends Havlicek identified continue today and remain important. However, if we look at the full breadth of issues affecting our various stakeholder groups, I believe additional, and perhaps more powerful, forces are in play. As Havlicek noted, identifying the important trends is largely a judgmental exercise and my assessment is, of course, judgmental. What I have to say is

largely influenced by my role as an academic department head over the past 10 years. During those years I dealt with the persistent concern of “staying ahead of the curve” in anticipating our hiring and program priorities and in how we needed to strategically align ourselves.

In this paper I discuss four external forces that will, in my opinion, critically shape our programs over the coming years. The first is the relatively minor role that farming income represents in the total income portfolio of most farm households and, therefore, the synergistic importance of rural economic vitality to the vitality of agriculture. The second is the rapidly expanding penetration of supply chain management, with product differentiation, throughout agricultural sectors that have traditionally been commodity markets. Third are the chronic and widespread state and local government fiscal crises. The fourth is represented by the institutional changes at land grant universities in response to pressures to achieve high rankings among the research institutions and to secure new revenue sources given reduced federal and state funding levels.

The objectives of this paper are to discuss selected characteristics of each of these forces as they relate to our profession and to raise resulting opportunities and challenges for our instructional, research, and outreach programs.

Farm Household Income Portfolios and Rural Development

In recent years the ERS, USDA, generated numerous studies documenting the income and

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wealth characteristics of farm households. In 1999, farm households realized only 10% of their income from farming, 18% from off-farm businesses, 53% from wages/salaries, 7% from interest and dividends, and 12% from other sources (Mishra et al.). With 90% of total farm household income in 1999 originating from off-farm sources, farm households enjoyed income parity with nonfarm households. Furthermore, the findings indicate that, contrary to most nonfarm households that own businesses, farm proprietorship households tend to lose money on the farming business (Mishra et al.). A further conclusion is that farm households, on average, have higher levels of wealth than nonfarm households. This information has been widely discussed throughout the profession over the past few years.

Despite the attention to these data, our policy focus at the national level continues to emphasize economic objectives managed via direct payments and price supports tied in one way or another to farming enterprises. Except for the very largest farms, policies designed to supplement incomes based on farming enterprises do little to either stabilize or enhance farm household incomes. Acting on their own initiative, farm households strive to stabilize their incomes largely through diversification of their income-producing portfolio.

Focusing national rural policy on the farm household rather than on a single income-producing enterprise (i.e., farming) would, I believe, allow federal programs to better target the truly at-risk rural populations. Since 71% of farm household income derives from wages or salaries and off-farm businesses, one would surmise that federal and state programs would ideally be targeted toward regions and communities where (1) off-farm employment opportunities are limited because of a static or declining economic base; (2) public sector services providing health care, work force retraining, education, transportation, and child care are lacking; and (3) population demographics are not supportive of off-farm or farm-based nonfarming businesses.

Rural and farm household economic well-being is of special concern in many areas of the South. Ghelfi cites 443 counties in the

South that had 20% or more of the population in poverty for four consecutive census years beginning in 1960 and ending with the 1990 census. Eighty three percent of all U.S. counties having persistent poverty are located in the South. Ghelfi's analysis suggests that, even with the booming economy of the 1990s, possibly only 10% of the persistent poverty counties in the South managed to improve their economic situation enough to achieve less than 20% poverty. Also, many of the farms throughout the South are classified as small family farms with annual sales less than \$250,000. These farm households are especially dependent on an economically vibrant community to provide off-farm income sources.

The farm household and rural income characteristics described above present significant opportunities and challenges for agricultural economists. The involvement by farmers in nonfarming business ventures enhances the importance of the agribusiness programs offered by most agricultural economics departments. Our emphasis on the economic decision-making framework and on a systems approach to business management should continue to present an advantage over colleges of business that emphasize large corporate management.

Farmers are increasingly utilizing farm-related assets as a base for nonfarming businesses. Economic studies looking at optimal resource use need to incorporate the full range of feasible nonfarming enterprises for a specific location in addition to the traditional farming enterprise options. However, to do this we need to expand our extension and applied research programs relating to areas such as tourism, market research, consumer marketing, and risk management related to non-farming business activities.

In 2001, the Federal Reserve Bank of Kansas City's Center for the Study of Rural America conducted a conference entitled "Exploring Policy Options for a New Rural America." In summarizing the conference findings, Johnson identified four "pillars" of an emerging new rural policy: *place competitiveness*, defined as relating to the attributes of commu-

nities or areas that make them attractive to households that are sources of human and social capital; *differentiation and place policy*, which focuses on the physical, distance, natural endowment, cultural, lifestyle, and governance attributes that describe differences among communities and regions; *local expression*, which is the premise that communities have a history, wisdom, and culture that condition the characteristics of likely economic growth patterns; and *strategic behavior*, defined here as the process of recognizing and integrating the place, differentiation attributes, and local expression attributes of competitiveness in developing alliances with business sectors and other communities.

Various land grant universities, including Virginia Tech (Gibson), are experimenting with rural development programs that incorporate at least some of the four pillars delineated by Johnson. My perception is that too often the developing programs seem to focus on process and, therefore, fail to extend beyond developing a programming vehicle for involving local expression. Furthermore, as land grant universities increasingly view themselves as "engines of economic growth," rural development initiatives are emerging throughout the university. Colleges of agriculture may be late in recognizing the change and defensive of protecting traditional turf when it is recognized.

In my opinion, agricultural economics has the disciplinary breadth and the tools to survive these changes and to maintain a leadership position. But we cannot realize our full potential unless we (1) understand the need to develop new theories and models of development that formalize the four pillars identified by Johnson, (2) develop models of strategic behavior that utilize game theory solutions for situations where the gains, losses, and interactions are recognized for all relevant entities, and (3) understand the dynamics of university initiatives and strategically integrate our profession with other disciplines involved, especially those located outside the colleges of agriculture. Unless we pursue these and other actions in an aggressive way, we risk losing

visibility and leadership in the rural development agenda.

Supply Chain Management in Agribusiness

Issues surrounding the industrialization of agriculture and the agribusiness sector have been with us for a long period of time. Currently, there are three very powerful forces pushing vertical coordination throughout virtually all sectors of agriculture. First, changes in agricultural policy expose commodity markets that were formerly organized around government-mandated quota and price systems to significant market price risk. Second, the development of food safety and political concerns about genetically modified crops virtually mandate structural changes in supply chain management. The third is the need by food and feed processors to assure a production process that delivers dependable and specific quality attributes.

Boehlje characterizes the dramatic changes throughout the agribusiness complex as "...(a) the transition from independent economic stages coordinated primarily by markets to much more tightly aligned food supply or value chains coordinated by various forms of negotiated linkages, and (b) the implementation of biological manufacturing and process control technology throughout the entire chain, enabling this value chain to increasingly function as an assembly line that produces biologically based specific attribute raw materials for consumers/end users."

We are now faced with agribusiness systems that rely less and less on the price-coordinating function associated with transaction markets and treat final demand as endogenous in the decision processes of production/processing/marketing firms. Associated with these changes is a failure to generate publicly available market transactions data. Even if data were available, by its very nature structural change renders historical data useless for purposes of predicting future behavior. Clearly each of these factors challenges our traditional models and research methods. Boehlje asks us to discount *ex post* analyses using historical

data sets in favor of *ex ante* studies utilizing a new conceptual framework derived from components "from various fields or disciplines, including (a) value chain analysis; (b) economic theory, including transaction cost and principal-agent concepts; (c) strategic management and organizational learning; and (d) negotiation/power, trust, and performance incentives." Boehlje also argues that future events are conditioned by strategic behavior and current actions of firms. The formalization of agribusiness strategic behavior in quantitative functions that are designed to project future economic characteristics of a given agribusiness sector presents serious data and dynamic modeling issues.

Most of us have been trained in the use of econometric methods applied to publicly available time series market data. We emphasize econometrics, primarily time series analysis, in our graduate course work. Yet, as mentioned above, quality data sets are either not available or of little consequence for predicting future events for industries undergoing structural change. Furthermore, data that are collected may not be appropriate for studying supply/value chains rather than firms and markets, as Boehlje suggests.

Our marketing research and instructional programs face serious challenges related to the organizational and behavioral changes taking place. Additional efforts are needed to define the structure of researchable issues of efficiency and market performance when the economic agents transcend the producer-to-consumer chain of production/marketing decisions. Producers and government agencies need careful analyses of contract designs as supply chain management becomes prevalent. Studies of poultry contracts by Tsoulouhas and Vukina demonstrate that careful analysis is needed when regulating or instituting contractual arrangements to assure Pareto improvements among the involved parties. Our economic models are primarily static and assume profit maximization behavior. These models fall short of portraying modern integrated supply chain management, and new models that draw on several disciplines must be developed.

When firms at least partially control final

demand characteristics and strive to influence future market conditions, the relevant decision variables must be carefully identified when constructing empirical models. Even more daunting is the problem of finding observable data against which to test the appropriate hypotheses. As mentioned above, publicly reported time series measures of market transactions are probably not appropriate. Thus, considerable professional investment needs to be made in developing techniques for data generation. Experimental economics might have some promise and we have an invited paper session devoted to that topic at our meetings.

Not the least of the problems faced is the challenge of designing academic programs that assure future faculty and government researchers will have the skills to address the relevant issues. In addition to strong foundations in economic theory, faculty will increasingly find the need to integrate legal expertise with the economic analysis. Thus, I believe that agricultural economics departments will find it imperative to expand their legal expertise capacity as they respond to economic issues relating to supply chain contracts. Finally, we must develop formal and informal linkages with other appropriate disciplines.

It is critical, I believe, that we raise these and additional questions in our professional associations because (1) we need more serious dialogue on the issues raised by Boehlje, (2) our response will determine whether or not we will be professionally relevant as policy issues arise concerning the structure of agriculture and agribusiness, (3) the answers are likely to dramatically affect how we structure our instructional programs, and (4) we need to address the issue of defining and developing techniques for collecting relevant data.

Local and State Government Fiscal Crises

The third external force that I think will have a pervasive impact on our agenda originates from the chronic, now turned acute, fiscal crises affecting state and local governments. Recently *USA Today* ran an article entitled "Sister, could you spare the city \$3.32?"

(McMahon). The article cited the efforts by state and local officials to find innovative, if not desperate, means of raising funds for public services. The title of the article refers to the efforts by the Mayor of York, PA to convince citizens to donate the cost of a McDonald's Happy Meal to the city for police and rescue services. While state and local governments now find themselves in extreme fiscal situations, local government finance problems have existed for a long time. Several years ago our Rural Economic Analysis Program conducted a symposium on local government finance and tax policy. The response overwhelmed our expectations, as did the extent of resentment directed toward the public finance policies of the state and national governments.

The issues center on (1) the lack of fiscal autonomy for local governments, (2) what some see as a failure of state governments to fulfill constitutional mandates for funding services such as K-12 education, (3) perceived geographic inequities in tax burdens and in the distribution of public funds, (4) perceived inequities across socio-economic groups, (5) lack of fairness, and (6) excessive control by the state on local governments (Purcell and Alwang). As localities and state governments struggle to address serious budget shortfalls, tax reform discussion is beginning to emerge in some states.

Agricultural economists have, I believe, a responsibility to expand our programs in the public finance area. Traditionally our programs have focused on economic and fiscal impact studies related to private and public economic investments. In addition, we have a rich history of studies and extension programs related to preferential property tax assessments for land used for forestry, agriculture, or open space. While agricultural economists have also contributed analyses of property tax alternatives, as a profession we are not generally identified as experts in tax policy. I believe that as we and the public increase our awareness of the synergies between agriculture and economically viable communities, the agricultural economics profession will be asked to devote more attention to public finance issues.

The advisability of using state and local public funds as incentives for economic development in a specific locality has long been researched and discussed in the profession. But I believe that the geographic distribution of economic benefits and costs associated with economic development projects deserves more research. Tax revenue increases associated with new or expanded economic activity accrue to the various governmental entities in varying proportions depending on state and local tax structures. Incentives to subsidize business relocation or expansion or both are strongest for those governmental entities realizing the largest potential tax multiplier impacts. Associated increases in public infrastructure costs may or may not accrue to the governmental entity realizing the greatest tax benefits. Thus, potential conflicts may arise between rural communities and state officials in determining economic development policies, with local officials often feeling disadvantaged during the negotiation process. Rural development and regional economists should be encouraged to develop economic and fiscal impact models that explicitly delineate the distributions of costs and benefits accruing to the state and to the local jurisdictions.

As fiscal crises force tax reform discussions into the public arena, the need for careful analyses and timely educational programs becomes acute. In addition to issues of equity and fairness, the debate needs to include careful recognition of the interrelated characteristics of national, state, and local tax structures. We are all familiar with examples of how changes in federal tax laws have affected state revenues because state income taxes are usually structured to link to federal policies. Perhaps less visible are the linkages between state tax and local tax structures. As communities experience financial stress, tax and spending structures that result in net income transfers from urban to rural communities, and vice versa, come under sharper public scrutiny.

Economists have the tools to critically research the economics of these linkages. Agricultural economists have the additional advantage of a tradition of linking applied research results directly to educational programming

through the cooperative extension infrastructure. We can establish an important niche in this area, but to do so will require more research collaboration with economists, political scientists, rural sociologists, and regional planners. We will also need to establish our credibility with state and local officials involved in tax policy and administration. Support from experiment station and extension directors for allocating resources to the public finance area is essential, as is an understanding among extension field staff that public finance education is a legitimate activity. Finally, we must understand that agricultural economics graduate programs need the flexibility to incorporate public finance modules for interested students.

At Virginia Tech, our department is a participating department in the School of Public and International Affairs. This school represents a formal alliance of seven departments, including Agricultural and Applied Economics, Political Science, Urban Affairs and Planning, the Center for Public Administration and Policy, Geography, International Studies, and Science and Technology Studies. Colleges represented include Architecture and Urban Studies, Agriculture and Life Sciences, and Arts and Sciences. Within the School, we have established the Institute for Innovative Governance to provide a focal point for university research, instruction, and outreach programs directed to local and state government issues. Although this is but one example, I believe it is indicative of the type of strategic alliances we must forge across university administrative units to preserve and enhance our uniqueness as an applied economics profession.

University Restructuring Issues

The fourth and final external force to be discussed relates to our position within land grant universities that are undergoing significant structural change. Although each of the academic institutions represented in the SAEA membership is unique, many agricultural economics departments are responding to a common set of university initiatives. Three things seem to be driving proactive structural changes by universities. All land grants are experi-

encing downward trends in real dollar levels of state and formula-driven federal support. At the same time, student age populations are expanding and legislatures exert pressures to maintain or increase student enrollments. Then there is the competition each administration feels to have their university rank high among the nation's leading research institutions.

Declining state support, combined with static formula funding for experiment station research and extension, has forced most universities to increase tuition charges and to cut expenses, including faculty and staff positions. At my university, Virginia Tech, the Department of Agricultural and Applied Economics will have lost 10 faculty positions through retirements and resignations by July 1, 2003 compared with July 1, 2001. This is one-third of our faculty, with little near-term prospect of getting any positions back due to the college's financial situation. Although this may be an extreme case, most agricultural economics departments are facing reductions of faculty and program support.

We are now forced to seriously assess where to focus our programs. We do this in an environment of dramatic change, the theme of this paper. In addition to the forces described above, institutional changes within the universities are likely to have great impact on agricultural economics programs. Colleges of agriculture, our traditional administrative home and support base, are struggling with financial problems that are, in many cases, more severe than the overall university budget cuts. This is because two-thirds or more of the budgets come from federal-state experiment station and cooperative extension funds. Depending on how your institution is organized, tuition increases may not be available to offset funding reductions in these mission areas. Thus, I believe that our future funding for replacement and new positions is less likely to come from Hatch and Smith Lever funds and more likely to come from the instructional mission budgets.

Given this scenario, teaching loads and program enrollments rise in importance. Also, many universities are moving to "cluster hire" strategies. This is a process of prioritizing areas of desired excellence and determining the

mix of faculty expertise, regardless of discipline, that is needed to supplement existing faculty to assure national leadership in the respective area. Because these decisions are made at the university level, building the case for another position, or replacement of a vacated position, will have to survive a university review, not just a college review.

Will we compete effectively? I think we can because of the broad areas of expertise we have developed over the years. But it does mean that we need to aggressively establish research and teaching alliances with disciplines outside colleges of agriculture. In simple terms, we need to be represented at the table when priority cluster hire decisions are made and we need to be recognized as a discipline that is a critical contributor to achieving excellence in the priority area.

The competition to rank among the best research universities tends to place increased emphasis on research contribution and success in attracting large grants. Unfortunately, the traditional sources of external funding for colleges of agriculture are not viewed by some administrators as growth areas when defining priorities for cluster hires. We are challenged to define roles for our discipline in multidisciplinary projects representing funding growth areas (e.g., health, defense, food safety/security, etc.).

As departmental faculty resources are reduced, some university administrators are again surfacing suggestions about mergers of agricultural economics with economics. For example, at Virginia Tech the Provost has asked us to formally explore some degree of merger with the Department of Economics. We cannot dismiss these suggestions without serious study. Mergers between agricultural economics departments and economics departments involve changing relationships with college administrators, possibly new guidelines for promotion/tenure and hiring decisions, and challenges regarding preservation of our traditional support bases. However, the disciplinary synergies are obvious and there are potential mutual benefits. We can be sure that whatever structure emerges, life will be different.

Conclusion

In this paper I have attempted to identify several forces that I believe challenge us to give serious thought to our future and to the role we define for our discipline. We are an applied social science and have differentiated ourselves by (1) aggressively applying economic theory and rigorous quantitative tools to practical problems; (2) astutely understanding how our models can be adapted and applied to emerging public issues, for example in rural development and resource and environmental management; (3) tightly integrating our research, extension, and instructional programs; (4) engaging in multidisciplinary research; and (5) encouraging eclectic diversification of academic pursuit.

I believe that we are now in another period of having to redefine our identity to achieve relevance for our changing stakeholder needs. It will require new advancements in theory to articulate, in a conceptual manner, the changes now evolving among the economic agents we consider our stakeholders. It will also require new and innovative ways of collecting and analyzing data. Finally, we will have to forge alliances with disciplines outside and in addition to those with whom we have been traditionally aligned.

The motivations for change that I discussed here are not all inclusive. Each of you can identify additional, and maybe more important, issues. Each of you can articulate them better than I have. Through this Association, the AAEA, and your academic faculty organizations, I encourage you to continue the dialogue. It provides an essential dimension in the process of developing the needed underlying framework for revisions to our instructional programs, to the development of professional alliances with other disciplines, and to the focus of our applied and conceptual research.

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