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Richard L. Kilmer

Lifetime Achievement Award

Dr. Kilmer grew up on a corn, soybean, and dairy farm in north central Indiana. He received a B.S. and M.S. in Agricultural Economics from Purdue University in 1965 and 1967 and his Ph.D. in Agricultural Economics from Ohio State University in 1975. He has been married 39 years to his lovely wife, Linda, and they have three children and five grandchildren. Between his M.S. and Ph.D., Dr. Kilmer served in the U.S. Air Force as a maintenance officer from 1968 through 1972, where he attained the rank of captain. Upon graduating with his Ph.D., he joined the U.S. Department of Agriculture's Economic Research Service as an agricultural economist in the Inputs and Finance Division from 1975 through 1977. Dr. Kilmer joined the Food and Resource Economics Department at the University of Florida in 1977, where he continues his work as a professor of agricultural economics specializing in agricultural marketing and as a member of the International Agricultural Trade and Policy Center.

While at the University of Florida, Dr. Kilmer's research in agricultural marketing has been in the commodity areas of dairy, citrus, and vegetables. His most recent research has dealt with the development of a bargaining framework for the negotiation process between a milk marketing cooperative and fluid milk-processing plants. A generalized axiomatic Nash-bargaining model is used to investigate the price negotiation process. His research in agricultural marketing has resulted in 178 publications and 38 abstracts, which include one co-authored book and one co-authored, edited book; 44 refereed journal



articles; over \$1.4 million in contracts and grants; and 66 presentations as presenter and/or co-author or moderator at professional meetings and conferences. Dr. Kilmer has taught price analysis and quantitative methods at the undergraduate level and microeconomics and agricultural marketing at the graduate level. He has chaired 33 graduate students, served on 58 other graduate committees, and served as the Food and Resource Economics Department's graduate coordinator from 1992-1996.

Dr. Kilmer has been an active member in the profession. He was chair (1999-2000) of the American Agricultural Economics Association (AAEA) Food and Agricultural Mar-

keting Policy Section and Chair (1997) of the AAEA Doctoral Dissertation Awards Committee (1995–1997). He has been a member of the AAEA Quality of Research Discovery Awards Committee (1998–2000), the AAEA Membership Committee (1985–1988), the AAEA Product Development Sub-Committee (2001), the AAEA Communications/Publications Committee (2003–2006), and the AAEA *Review of Agricultural Economics* Editor-Selection Committee (2006). His work in dairy has found him as chair (1989–1992), vice-chair (1980–1982), and secretary (1987–1989) of the Southern Regional Dairy Marketing Research Projects 166 and 217, and chair (1999–2000) and vice-chair (1998–1999) of the Southern Dairy Conference Planning Committee.

Dr. Kilmer has been an active faculty member at the University of Florida. He has served as a member of the University of Florida Senate (1994–1998, 2000–2002), Strategic Planning Group for Graduate Education (1994–1998), Task Force on Tuition Payment Allocation (1995), and Academic Freedom, Tenure, Professional Relations and Standards Committee (1997–1999). He has served his college as chair (2000–2002) and member (1998–2002) of the Graduate Student Honors and Awards Committee; chair (1987–1988) and vice-chair (1986–1987) of the UF/IFAS Research Publications Committee; chair (1989–1990) and member (1987–1990) of the UF/IFAS Awards and Honors Committee;

chair (1991–1992) and vice-chair (1990–1991) of the UF/IFAS Project Review Committee; UF/IFAS Graduate Committee member (1992–1995); UF/IFAS Advisory Committee on Tenure, Promotion, and/or Permanent Status (1995–1996); UF/IFAS Administrative Intern, Office of Academic Programs, College of Agriculture (1995–1996); and chair of UF/CALS Teaching and Advising Awards Committee (1997).

Dr. Kilmer was the president-elect (2003–2004), president (2004–2005), and past-president (2005–2006) of the Southern Agricultural Economics Association (SAEA). He has received the SAEA Distinguish Professional Service Award (2004), SAEA Special Appreciation Award In Recognition of Outstanding Service and Contributions to the Southern Agricultural Economics Association as President (2004), AAEA Award for Professional Excellence for Distinguished Policy Contributions NC-117 (1980), the UF-IFAS Interdisciplinary Research and Extension Team Award (2000), the UF-IFAS Academic Programs Graduate Teacher and Advisor of the Year (1994–1995), Honorable mention for the College of Agriculture 1991–92 Teacher of the Year Award, In Appreciation for Your Dedication and Service to The FRE Graduate Students as Graduate Coordinator (1992–1996), and the Faculty Appreciation Award (1991 and 2003) presented by the Food and Resource Economics Department Graduate Student Organization.

Background, Experiences, and the Future of Our Profession

Richard L. Kilmer

It is indeed an honor to receive the Southern Agricultural Economics Association Lifetime Achievement Award. I would be remiss if I did not recognize my wife, Linda, with whom I am sharing this award, as she has been with me for the past 39 years. We met in the Agricultural Economics Department at Purdue University where she worked and where I started my professional career as a student in agricultural economics. She has been with me every step of the way. I am very proud of her and of our three lovely children and five grandchildren.

I grew up on a dairy/corn/soybean farm in north central Indiana, where my brother has a hog operation and my parents are in retirement. Family has always been important in my life. Linda and I still return to the home farm every summer to see family and to return to our roots. I was part of the exodus from the farm to the city when technology made it possible for fewer people to feed the increasing number of people who were pursuing careers off the farm. At that time, I unknowingly participated in change that would see the number of farms drop from 4 million in 1960 (U.S. Department of Agriculture, 2007b) to approximately 2 million in 2007 (U.S. Department of Agriculture, 2007a). The farm population has dropped by approximately the same amount. I have no regrets about leaving the farm, where I learned the values and work

ethic that have served me well in life. The roots run deep, and I have been able to participate and interact in the farm community as an agricultural economist.

Farm to University

In my college days, most students entered the School of Agriculture at Purdue University without choosing a department. The first year contained a basic set of courses that everyone took and, during that year, we were encouraged to choose our department. We all took a 1-hour credit course, where each of the departments in the School of Agriculture were given one class period to introduce their department and share with us why we should be interested in majoring in that department. Dr. F.N. Andrews represented agricultural economics, and he emphasized that all the majors needed the economics and business background provided in his department. Coming from a farm where family members provided the labor for the farming operation, I felt that I had a good background in production agriculture and that what I needed was the economics and business side of the equation. So the words of Dr. Andrew resonated very clearly with me.

Although I took undergraduate economics and business courses, the marketing system was an intriguing structure about which I wanted to know more. On the farm, we kept a 1-year feed supply for the cows. The corn and soybeans beyond that need always went to the local elevator, which stored the corn on the

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ground with no protection from the weather and paid rock-bottom prices. That bothered me because I saw trucks of corn bypassing the local elevator for a large terminal market that was paying higher prices than my Dad was receiving. Then there was this thing called the futures market in Chicago that helped you receive a guaranteed price. Dad would listen to the radio on a daily basis to see what the corn and soybean prices were doing. This information was important to him, and it made me realize that prices were higher later in the marketing year. With this background, I spent my professional life performing research on the agricultural marketing system. I have participated, along with other researchers, in the improvement in efficiency of the movement of commodities from the farm to the consumer.

Agricultural Marketing

I did my dissertation on merger restrictions and market-share restrictions on the fluid milk-processing industry in Ohio (Kilmer and Hahn). In the 1960s and 1970s, there was much concern about the increasing concentration in agriculture and the entire economy. The Federal Trade Commission was active in an attempt to slow the concentration by controlling mergers. The number of buyers and sellers was important to maintain a competitive economy during that era. However, technology took over, and the increasing size of operations with significant economies to size caused the number of firms to decrease. The prices charged in a market with a large number of buyers and sellers would have been higher than a noncompetitive price charged by large firms who were able to charge lower prices than small producers because of significantly lower costs due to economies of size. So nowadays, the number of firms in an industry is not the overriding factor that is evaluated when determining the impact on an industry of a decrease in the number of firms.

Another change that has occurred over the course of my professional life is the significant change in the vertical market system. The vertical market system determines what con-

sumers want, when they want it, where they want it, and what price they are willing to pay for the product. The more levels there are in the vertical system, the more difficult the communication process. Product arrives at the consumer level in quantities that exceeds or is less than demand; that is, supply never equals demand. Generally, there is excess demand or excess supply. Excess demand means that the prices increase to equate supply and demand, and excess supply results in a fall in prices. Supply ends up equaling demand; however, price changes were significant. So, one could say that demand equaled supply after significant price adjustments.

A sign of improvement in the supply and demand balance is the increase in the number of exchanges that occur without a spot market. Over time, the percentage of agricultural production under production and marketing contracts has increased from 11% in 1969 to 39% in 2003 (MacDonald and Korb). Large farms with over \$1,000,000 in sales had 53% of their production covered by contracts in 2003, followed by livestock at 47% and crops at 39%. These figures do not include production that is vertically integrated. The lowest crop contracts were wheat at 7.6%, soybeans at 14.0%, and corn at 14.3%. For livestock, cattle contracts were the lowest at 28.9%, and poultry and egg contracts were the highest at 88.2%. It was also found that the average contract prices were greater than or equal to the average spot market prices. So, vertical coordination has improved in the agricultural marketing system.

The Federal Reserve Bank of Dallas recently did a study on the vertical market systems of the United States. They found that logistics costs, which include transportation costs and inventory carrying costs, declined from 16% of GDP in 1981 to 8.5% in 2005. At the same time, the inventory-to-sales ratio also declined, which says that the inventory volume required to service sales has decreased. Furthermore, they found that recessions are less frequent and less volatile, and improvement in vertical coordination is the main reason, primarily due to a reduction in the level and variability of inventories, which normally

cause a recession because firms stop ordering new supplies. In agriculture, we do not have the same supply control as other industries; however, I am certain that logistics costs in the agricultural marketing system have improved significantly as the percent of agricultural production under production and marketing contracts has increased over time.

The Future of Our Profession

Agricultural Economics is an applied profession. We take economic and business concepts and apply them to real-world problems. The problem set has generally been within the School of Agriculture. This problem-set includes production, farms, agribusiness, agricultural marketing, land, water, natural resources, rural communities, community development, international trade, and economic development. Over time, the emphasis placed on different parts of the problem-set has changed. The most obvious change has been the shift in emphasis from the farm and production agriculture to virtually every other part of the problem-set.

This change in emphasis brought about a name change in 1968 from the American Farm Economic Association to the American Agricultural Economics Association. At the 2007 AAEA annual meetings in Portland, OR, another name change will be voted on by the membership. Our profession has been dynamic because the emphasis on members of the problem set has changed. One can say that our profession has evolved, as the name change suggests, or that the American Farm Economic Association profession died in 1967,

and the American Agricultural Economics Association profession was born in 1968. It seems that the American Agricultural Economics Association profession may die, and a new profession may be born at the AAEA 2007 annual meeting. What has remained constant, however, is that we are an applied profession that uses economic and business concepts on a problem-set, within which, the emphasis among the parts of the problem-set has changed over time. I am pleased to be a part of a profession that is dynamic and that changes with the times.

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