

Agricultural Product Markets

and industrial development

GEORGE L. MEHREN

No national food economy in the world remotely resembles that recently developed in the United States.

Changes in food production and marketing during the past 30 years have been more pronounced, in some respects, than those of the preceding two centuries. Product and terms of delivery have been adjusted to the requirements of customers. There is little similarity between stores, firms, markets, channels, and operations of today and those of 1930. Consumer and distributor demands bear more directly upon producers. The newly developed merchandising policies and the engineering requirements of food distributors have engendered new specifications. Multiple-outlet distributors transmit specifications with respect to product, pack, package, delivery, and other terms directly to their suppliers. Coordination of farm production with processing and distribution has grown increasingly close. Markets are national in scope. Interproduct competition is keen. For many specialized commodities, basic farm production, from the initiation of farm operation, is coordinated directly with the demands of customers.

Structural Changes

New technologies in processing, handling, or in farm production did not generate the massive changes; they were induced primarily by increases in per capita productivity and by substantially greater equalization of income. From 1930 until the mid-1950's, American real output increased by some 120%, and per capita income to wage and salary earners rose by about two-thirds. Associated with those changes were clearly defined shifts in consumer demands for foods and for terms under which they were procured and a completely new retailing system was created. Most retailers became affiliated on one basis or another in the wholesale distribution of non-perishable foodstuffs and new wholesalers appeared to meet new demands.

The integrated operations of the new retailing system require uniformity of product and delivery terms among all affiliated outlets.

Despite the relatively advanced food economy in the United States, there are major similarities among the farm and food industries of most nations.

There are pockets of traditional production and open-markets throughout the world and also in parts of the United States—primarily in grains and fibers—but they are the last and least developed everywhere, except for some export markets and parts of the North American food economy. Product markets in other countries are almost universally backward by technical standards applicable to the American nonfarm economy.

Coordination of Changes

In other countries, family-farm production often is not market oriented and sale of product may depend more on family needs than market outlook. Real change may be induced as a rule only through the slow processes of general economic growth. In the development of agriculture, changes in food marketing must be coordinated with changes in each of the various other industries and must in all likelihood also involve changes in the values of the people comprising the farm population.

In most parts of the world, consumer wants seem generally and closely related to buying power; changes in buying power seem generally to be the major determinants of changes in food marketing and changes in food marketing seem to be one of the prime determinants of changes in farm production.

However, real change in farm output in any nation can be achieved only through real change in scope or methods of operation of individual farms. Scope and method of farm operation are closely related to those of firms in food and fiber handling or marketing. Differences in farm product markets among

nations seem to be related mainly to differences in purchasing power.

Most analysts appear to agree that for most farm economies, size of market is a function of increased real income, changes in its distribution and investment in communication, transportation, and marketing facilities. Change in market structure seems similarly related to market size.

Production Patterns

Internal trade barriers may be diminished if domestic nonfarm growth leads to broader domestic food markets. Usually, there are existing starting points in market programs, trade practices, market organization, trade restrictions, taxation programs, and a few selected opportunities for investment in food or fiber processing, yielding products adjusted to prevailing demand patterns and to distributive facilities and inducing changes in existing farm production patterns.

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