

The Journal of
AGRICULTURAL ECONOMICS RESEARCH



United States
Department of
Agriculture

Economic
Research
Service

Articles

- Evaluating Generic Dairy Advertising Impacts on Retail, Wholesale, and Farm Milk Markets
- Development and Measurement of Farm-to-Retail Price Linkage for Evaluating Dairy Advertising Effectiveness
- Endogenous Switching Systems: Issues, Options, and Applications to the U.S. Dairy Sector

Book Reviews

- Land and Law in California: Essays on Land Policies
- Policy for American Agriculture: Choices and Consequences
- Agriculture and the Undergraduate

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David Smallwood
Jim Carlin

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This periodical is published quarterly. Subscription rates are 1 year, \$16, 2 years, \$30, 3 years, \$45. Non-U.S. orders, please add 25 percent. Send check or money order (payable to ERS-NASS) to

ERS-NASS

341 Victory Dr
Herndon, VA 22070

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The Secretary of Agriculture has determined that the publication of this periodical is necessary in the transaction of public business required by law of this Department. Use of funds for printing this periodical has been approved by the Director, Office of Management and Budget.

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In This Issue

"Hear one side, and you will be in the dark, hear both sides, and all will be clear" Haliburton

It is a rare treat in the editorial business when an issue can be devoted to a single topic. That is the situation we happily face. The three articles in this issue address the same question: has promotion and advertising increased the sales of dairy products? If the answer is yes, then by how much and which individual products have benefited the most? The answers to these and other queries lie within these covers.

Before proceeding, a little background may be useful to our readers unfamiliar with the history of generic promotion in the dairy industry. The 1983 Dairy and Tobacco Act authorized a national program for dairy promotion, research, and nutrition education as part of a comprehensive strategy to reduce milk supplies and increase consumption of milk and dairy products. The promotion program is designed to strengthen the dairy industry's position in the marketplace and to maintain and expand domestic and foreign markets for uses of fluid milk and dairy products that are produced in the United States. The Act created the National Dairy Promotion and Research Board and is funded by a mandatory 15-cent-per-hundredweight assessment on all milk produced in the contiguous 48 States and marketed commercially. About \$220 million is collected annually under the program.

Additionally, USDA is required to submit a report to Congress each July 1 containing an independent evaluation of the effectiveness of the dairy advertising program. The research reported in this issue was commissioned by the USDA Evaluation Committee for Dairy Promotion as part of an effort to enhance the evaluation process.

In the first article, Kaiser, Forker, Lenz, and Sun develop and estimate a disaggregated econometric model of the dairy industry. The model specifies three market levels (retail, wholesale, and farm) and four products (fluid dairy, frozen dairy products, cheese, and butter). The econometric results are used to simulate the impacts of a generic advertising program on the demand for milk and dairy products and farm and consumer prices. Their results suggest that at the retail level, the demand for fluid milk and butter increased modestly because of the program. Cheese demand also increased marginally while the demand for frozen products actually declined slightly because

of price increases that outweighed advertising effects. They conclude that the program increased farm milk prices by 2.2 percent and has been an effective vehicle to increase retail demand and farm prices while reducing cheese and butter purchases by the government.

Wohlgenant and Clary take a different approach than Kaiser and company. They develop a model consisting of an industry-derived demand equation for milk at the farm-level linking advertising and government purchases to farm price, and a government-purchases equation linking advertising and support prices to government purchases. Their preferred two-equation model was estimated using disaggregated manufactured-product advertising. Their bottom-line results indicate that producers receive an average of \$2.04 for each additional dollar spent on advertising. The authors note that this return may be on the high side because it does not take into account any supply response by farmers that may occur.

Our third article by Cox and Cornick is more methodologically focused than the others. They contend that in markets with controlled prices, such as in the dairy sector, econometric analysis is more complex than when prices are competitively determined. With controlled prices, econometric and statistical models require more advanced estimation techniques involving limited or censored dependent variables. They proceed to evaluate and compare different estimation methods for systems of simultaneous equations with censored dependent variables. The authors conclude that their proposed econometric techniques may not be necessary to model the dairy sector. They found that conventional estimation techniques introduce a minimal level of bias in the parameter estimates. The last chapter on this line of research has yet to be written.

In the first of three reviews, Gene Wunderlich gives the Paul Gates book *Land and Law in California: Essays on Land Policies* two thumbs up. According to Wunderlich, the book contains an "exceptionally rich source of background on California's agricultural landholding" which suggests "some origins of present landownership and agricultural production patterns." He also notes that the link between conditions in today's California agriculture and past policies and practices may not be completely direct, but who knows what small event of yesteryear has a profound influence today.

Wunderlich strongly suggests that this book has much knowledge to dispense and reading it would be a wise investment for those with an interest in land policies

M C Hallberg's book, *Policy for American Agriculture Choices and Consequences*, is "aimed at providing the basic tools and information needed for future agricultural policy analysis and development" However, because the book is targeted to undergraduate students and perhaps as an introductory text for graduate-level classes, its reviewer, Sam Evans, finds little new in content or presentation Nevertheless, Evans finds the book a useful reference for anyone interested in learning about the development and scope of U.S. agricultural policy Overall, Evans thinks the author does a "workmanlike" job throughout the book with a few errors of commission and omission

Agriculture and the Undergraduate is a collection of essays and reports from discussion sessions that grew out of a 1991 conference Neil Harl, the volume's reviewer, finds that the "volume is a potpourri of ideas on ways to improve undergraduate education Some good Some not so good Some trivial Some not so trivial But all deserving of careful thought and further reflection" Given this, Harl masterfully shares with our readers his contemplations on education and agriculture and meeting the needs of agriculture in an ever-changing world Harl finds that this volume makes a nice start in the direction of discussing undergraduate education involving physical and biological science in agriculture but neglects almost totally the social sciences Is this an error of commission or omission?

James Blaylock
David Smallwood