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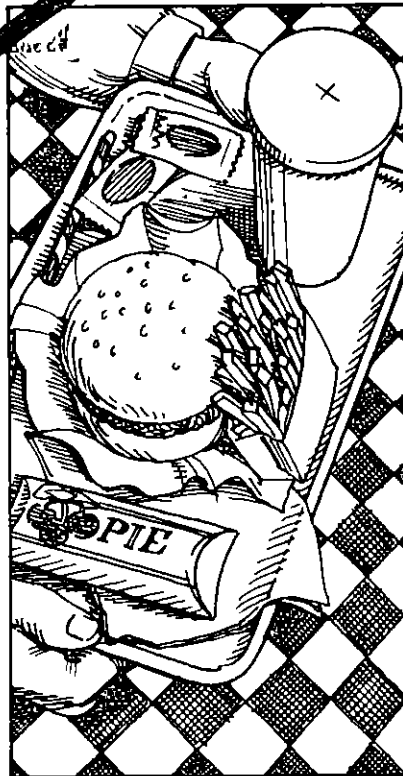
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ENGEL CURVE see page 14

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AGRICULTURAL ECONOMICS RESEARCH

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IN THIS ISSUE

"Things are seldom what they seem," according to a line in Gilbert and Sullivan's "H M S Pinafore," "Skim milk masquerades as cream." Agricultural economists also have difficulty distinguishing reality from appearances. One might think that hastily drawn, subjective opinions in agricultural economics could be dispelled by referral to data or theory. But experience, and the articles in this issue, show that such efforts may confound rather than ameliorate the problem. Many mistaken beliefs are rooted in inappropriate theories or in accurate data. Even so, as these articles further demonstrate, which is the skim milk and which the cream can ultimately be judged only by an appeal to data and to theory.

Evans, in the first article, translates the legal language of the Food and Agriculture Act of 1977 into familiar economic jargon so that readers of this journal can see what the law really says. There are a few surprises. The law, apparently aimed at limiting the supply of certain crops as part of the price support program, raises the marginal revenue to growers and thereby really induces an increase in supply, according to Evans.

Blaylock and Green, in the second article, use a flexible functional form to estimate Engel curves for food. Dick King, in

his 1979 Presidential Address to the American Agricultural Economics Association, pointed out that the choice of functional form used in a demand model may predetermine whether estimated income elasticities rise toward 1.0, fall toward zero, or remain constant as income rises. King warned us not to be any more surprised that the empirically determined elasticities behave as they do for a given functional form than we are surprised when the children find the Easter eggs precisely where they were hidden. Blaylock and Green demonstrate that a flexible functional form permits the data to determine the behavior of the elasticity whereas classical functional forms used to estimate Engel curves impose various predetermined patterns.

Some models which are simple to use and which appear to provide unambiguous results may, in fact, be misleading, not only as to predicted magnitude but also as to predicted directions of change. Single-product models predict that imposing a tariff on wheat imports will decrease the price of wheat in exporting countries and increase the price in the importing country. But Paarlberg and Thompson, in the third article, show that multiple-product models which allow for real income effects and for cross elasticities can, under certain situations, support

a different conclusion. They believe that one needs both an appropriate model and also reliable empirical coefficients to make useful and realistic policy appraisals.

It has long been recognized that food stamps induce increased expenditures for food, but by an amount substantially less than the value of the stamps. Salathe, in the fourth article, adds to this the knowledge that expenditure increases are relatively large for certain commodities, such as cereal products, processed vegetables, and pork. Other purchases of food for home use, such as fish, fruits, and sweeteners, increase only slightly. What may surprise some people is that expenditures for food away from home decrease markedly. Salathe estimates that \$1 of added food stamps resulted in an additional 36 cents of spending for food at home. This was partially offset by a reduction of 14 cents in spending for food away from home, resulting in a net gain in spending for total food of 22 cents per dollar of stamps issued. What appears as a general increase in the demand for food is really the net result of substantial increases for some products, negligible changes for others, and considerable reductions in demand for food away from home.

CLARK EDWARDS

CONTENTS

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- | | | | |
|----|--|----|--|
| 1 | Acreage Response to the Target Price and Set-Aside Provisions of the Food and Agriculture Act of 1977
<i>Sam Evans</i> | | |
| 12 | Analysis of Flexible Engel Functions
<i>James Blaylock and Richard Green</i> | | |
| 21 | Interrelated Products and the Effects of an Import Tariff
<i>Philip L Paarlberg and Robert L Thompson</i> | | |
| 33 | The Food Stamp Program and Low-Income Households' Food Purchases
<i>Larry E Salathe</i> | | |
| | | | Research Review |
| | | 42 | Chronic Inflation and the GNP
Alan R Bird |
| | | 45 | Merging Resource Data from Disparate Sources
Linda L Hagen and Paul T Dyke |
| | | 50 | Price and Exchange Rate Transmission
H Christine Collins |
| | | 56 | Consensus and Conflict in U S Agriculture Perspectives from the National Farm Summit
Reviewed by Milton Ericksen |
| | | 58 | The Innovator's Situation Upper-Middle-Class Conservatism in Agricultural Communities
Reviewed by Robert D Munoz |