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Economic Analysis of Research and Promotion

*Proceedings from the symposium sponsored by
NC-208 and NEC-63*

New Orleans, Louisiana
March 21-22, 1997

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Sponsored by and published with the support of:
The Research Committee on Commodity Promotion (NEC-63)
and
The National Institute for Commodity Promotion Research and Evaluation (NICPRE)

Notes from the Roundtable Discussion: What Have We Learned and Where do We Go from Here?

Lynn M. Macias

Talking points for NEC-63
March 22, 1997

I. Introduction

*Programs, especially in California, have come under increased scrutiny from both inside and outside the industries they serve. Eight lawsuits in California's 47 programs.

*CDFA, with collaboration from marketing programs, have developed a policy which states all checkoff programs are expected to conduct periodic program effectiveness evaluations.

*Given the variety of marketing program activities and resources, the policy allows a variety of methods for program evaluations.

*We are also currently working with the programs to update California marketing statutes that provide authority for these checkoff programs. There is currently a serious interest by the programs to require these evaluations in the statute.

II. Research evaluations

*Evaluating the value of production and processing research has not gone far enough.

*In spite of the fact that one of California's research-only programs is the subject of one of the eight lawsuits, some of our research programs believe they have always provided comprehensive evaluations through the peer review processes and the routine publication of annual reports of their studies.

*Others disagree and suggest that thorough economic evaluation of these research studies has rarely been undertaken. Generally, in California, rate of return, using potential changes in profits to farmers from research studies, is not analyzed.

III. Caution/concern

*It is exciting to now have these econometric measuring tools available to checkoff programs.

*Economic modeling may be only one of a number of ways to evaluate the effectiveness of marketing programs.

*War of the models? Plethora of models from opponents?

*Not well-defined standards:

What shows service to agriculture and the public?

How is orderly marketing defined in today's global economy?

Does the potential for a remarkable rate of return on promotion or research spending justify continuation of checkoff programs, or does it suggest that individuals would be better off pursuing independent strategies?

Do these economic studies suggesting an impressive rate of return for promotion spending create disproportionate spending by multi-activity programs, perhaps at the sacrifice of other worthy, but less quantifiable projects (i.e., medfly research)?

*economic modeling depends on data:

Data must be available and shared?

Should government mandate collection of such data, especially with the demise of such public collection as the market news program in California provided?

With proliferation of larger companies and cooperatives, such availability of data could jeopardize individual industry positioning?

Do we need a more holistic approach to effectiveness evaluation that mere econometric, rate of return models cannot adequately quantify?