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MARKET INFORMATION AND PRICE REPORTING IN THE FOOD AND AGRICULTURAL SECTOR

Proceedings of a Conference
Sponsored by North Central
Regional Committee 117
Madison, Wis., May 24-25, 1979

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Dakota, Ohio, South Dakota and Wisconsin.

Published by the Research Division,
College of Agricultural and Life
Sciences, University of Wisconsin-

RESEARCH PRIORITIES AND PROCEDURES

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A number of research issues have surfaced during the course of this conference. While I have not had time to review all of the papers and make a comprehensive summary of research issues and priorities, I will share some "seat-of-pants" observations based upon my listening to the conference papers and discussion and reading several of the papers.

First, a few observations:

1. There are substantial theoretical problems in considering information, especially in imperfect markets. We simply don't have theoretical models that suggest the complexity of interaction and interrelationships between information and other market factors. Our theoretical basis is probably strongest for examining the effects of information on intermarket and intramarket arbitrage. I expect that theoretical developments and empirical analyses of information can most fruitfully proceed on an interactive basis.
2. The interrelationship between information and vertical coordination is poorly understood. Firms may vertically integrate or develop contractual relationships with the expectation that increased information and control will alleviate coordination problems, only to find that the problems persist.
3. The lack of standardization of products and/or terminology is one of the major impediments to effective market information programs — either public or private.
4. Many price-reporting systems have perceived limitations; the methodology employed, the possibilities for manipulation or misrepresentation, and other matters of concern about these systems need to be open to public scrutiny.

The papers and discussions of the past two days identified several possible research topics or issues. Since I find it particularly helpful to state these in hypothesis form, I have developed six hypotheses that I believe can be tested through empirical research. Had time permitted, several more could have been identified.

1. Search by atomistic buyers is relatively low, allowing sizeable price dispersions in such markets in the absence of publicly provided comparative price information.
2. Information is distributed or obtained in unequal amounts. Large firms generally have more complete market information than small firms.
3. Publicly provided information — of a relevant type — can improve the competitive viability of small firms and reduce the trend toward increased industry concentration.

4. Improved information on seller behavior may affect markets more through "publicity effects" than through changes in buyer behavior.
5. Consumer information "overload" is a direct function of the amount and credibility of information. The provision by credible sources of information on important market characteristics generally will reduce consumer information overload.
6. Greater specificity is needed in market news and market information. The level of information specificity is negatively related to the incentives for contracting and vertical integration.