



**AgEcon** SEARCH  
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

*The World's Largest Open Access Agricultural & Applied Economics Digital Library*

**This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.**

**Help ensure our sustainability.**

Give to AgEcon Search

AgEcon Search

<http://ageconsearch.umn.edu>

[aesearch@umn.edu](mailto:aesearch@umn.edu)

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

338.1  
W67  
1989

**PROCEEDINGS OF A SYMPOSIUM**

**ON**

**THE ROLE OF INTERNATIONAL TRADE  
IN AGRICULTURAL ECONOMICS  
PROGRAMS**



WAITE MEMORIAL BOOK COLLECTION  
DEPT. OF AG. AND APPLIED ECONOMICS  
1994 BUFORD AVE. - 232 COB  
UNIVERSITY OF MINNESOTA  
ST. PAUL, MN 55108 U.S.A.

Sponsored by the  
Cooperative State Research Service  
United States Department of Agriculture

AAEA-CSRS Symposium Held July 31, 1989

Baton Rouge, LA

February, 1990

ACADEMIC PERSPECTIVES ON THE FUTURE DIRECTIONS OF AGRICULTURAL  
ECONOMICS PROGRAMS IN RESEARCH, TEACHING, AND EXTENSION IN  
INTERNATIONAL TRADE

Robert L. Thompson<sup>4</sup>

INTRODUCTION

I am not going to take any of the precious time that has been allotted to me to reiterate the importance of the globalization of the United States agricultural sector over the last fifteen years as far as the economic well being of the farm sector or the associated agribusiness community is concerned. Suffice as to say, the size of our farm sector and the American agribusiness of the future is going to depend on the volume of United States agricultural exports and our ability to compete in international markets. This alone should justify the involvement of schools of agriculture, and agricultural economic departments in particular, in international trade issues in their teaching, research, and extension programs.

In schools of agriculture, international issues mainly involve Third World economic development projects. We must change this orientation to include more about matters of the current international trade concerns of the United States agricultural economy.

In this paper I plan to touch on the teaching, extension, and research issues in that order. I will then wrap up with a few closing comments on an issue that cannot be overlooked, and that is, the funding and resources to do this work.

TEACHING

At the end of high school, most Americans are economically illiterate, geographically illiterate, know no foreign language, and certainly are unprepared to understand the importance that international trade plays for us and the workings of the international economy and the implications that it has for the functioning of the American agricultural sector. As a result, in the core curriculum in our schools of agriculture, we need to work in more of an international content into the courses that every student takes.

We have elective courses in foreign languages, international trade, and foreign economic development in virtually all schools of agriculture. But most of our students do not elect those courses. We ought to make it impossible for a student to get

---

<sup>4</sup>Robert L. Thompson is Dean of the College of Agriculture, Purdue University, West Lafayette, Indiana.

through the basic courses in agricultural economics, the basic crop course or the basic animal science course without receiving some broader appreciation of the global agricultural system in which most of the graduates of tomorrow are going to have some knowledge. They may well not be employed overseas (but more will be at some point in their career) but they are going to have to worry about competition from imports, with international transfers in technology, about whether it rains in Brazil, and how United States soybean markets are going to behave, and so on and so on. Thus, we ought to make it impossible for any student to get out of the basic courses without some broader understanding of international factors. This means basically stating the facts.

Similarly, we need to reduce the rigidity in our curriculum. We are having more and more required courses in almost all of our curricula. This makes it impossible to generate a well balanced student when they graduate. A broad range of elective courses can help prepare students for the rapidly changing environment (which they are going to have to upgrade).

We need to provide more opportunities for students not only for study of broader programs but also for overseas internships. We do a pretty good job in a lot of our programs developing cooperative programs so students can obtain some practical experience out in the real world of work on how industries operate. But there are very few foreign internships that are available. They are expensive and they are difficult to put together. Increasingly, the companies that hire our graduates are realizing that we are not preparing students adequately for employment in the world of agribusiness today. Private firms are also willing to seek creative new ways of working with us to create not only new product opportunities, but also internships. One of the skills that our students are going to need is the practical skills of living and working overseas, as well as operating under foreign languages.

We need more overseas sabbaticals for our faculty. We cannot expect faculty members to be prepared to include more international content in their curriculum if they have not had long term overseas experiences themselves. In fact, it only comes from experiences like sabbaticals and foreign institutions.

Our VIP programs have been effective in getting our faculty members into Third World countries in the past, but we have not had similar means of getting them into Japan, into China, and into Western Europe.

Finally, we need more international content into our courses. What is needed is not to just trade theory, but the nuts and bolts of international marketing. I am not confident that we have the people in the United States that are prepared to teach international marketing courses. We may very well have to go to New

Zealand, to Holland, to Denmark, and to other small countries where marketing is by definition international marketing. This type of action will likely be required to obtain the competence needed for international marketing courses.

#### EXTENSION

The challenge of extension education is to raise the economic and international literacy of our adult population, not just limited to rural populations. The public is gullible to intuitively plausible but fallacious arguments put forth by special interests seeking economic rents at the expense of the unprepared and unsuspecting public. As a result (and that is always the result of economic illiteracy and international illiteracy) public directives are unable to penetrate those seemingly plausible arguments that are fallacious.

In the past about the only involvement of extension in international programs has been the IFYE (International Farm Youth Exchange) program, which has gotten a lot of rural youth overseas. The first IFYE group went overseas in 1946. Extension staffs have also organized people to people tours to get rural adults overseas to view foreign agriculture. But beyond IFYE programs and people to people tours, there has not been much international content in most of our agricultural extension programs.

More recently, our outlook programs provide world reports on crop conditions. But we need to do much more. We need to increase the present understanding of our public in existing policies and the impacts and functions of international markets, both overseas and in the United States. We also need to make clear to our public that the United States is also a center of this scheme of market interventions and policy exhortations.

We need to teach our farm organizations the implications that being a large trading country has on our freedom of action in domestic policy making. We cannot unilaterally legislate a minimum price below which we will not sell and then announce to all our competitors four years in advance and expect not to lose market share. But yet, most of our farm organizations in 1981 supported a farm bill which did exactly that.

In international marketing extension, we need to be working with small and medium sized firms, particularly those that add value to the raw agricultural commodities. We need to assist these firms with the nuts and bolts of export marketing. There are a lot of niche markets throughout the world that could be penetrated, but many firms are afraid to get into the game. These firms do not have the confidence and they do not have the world experience. There are some excellent opportunities, however.

We need to teach our farm fellows that international technology transfers are a two way street. We did not have any wheat varieties in the United States with natural resistance to rust. All rust resistant varieties in the United States are based upon germ plasma brought from Africa. But yet a lot of our agricultural organizations believe that we are giving away our technology and not getting anything in return.

We need some public education just on the fact that there are gains from specialization and exchange. That there is a difference between comparative and absolute advantage. Obviously, we are not going to teach basic trade theory in those terms. But we need to convey an intuitive feel for the gains from specialization and exchange and what comparative advantage is all about.

We need to convey the importance of Third World economic development upon the expansion of markets. We also need to convey the effect of globalization of world markets upon structural adjustments of United States agriculture. We need to help our farm organizations sort through the options and define the policy implications of that globalization. Moreover, we need greater appreciation of the role of exchange rates in determining trade flows.

Finally, extension has got to use new delivery media. I am concerned to learn from county agents that they cannot get farmers out to meetings on international trade topics or international economics. I believe that this problem is tied to the problem of extension today - - lack of alternative media or different ways of accomplishing their objectives. I think, for example, that the federal Extension Director ought to march down the street and get together with the head of the Public Broadcasting System. They ought to mutually look at the opportunities for taking some money off the top to produce documentaries that could be run on PBS to reach a broader audience. Most of our public today gets most of its information through the medium of television, not through going to local county meetings. While the cost of video productions is extremely expensive, the cost incurred per potential person reached is extremely low compared to sending extension specialists several hundred miles down the road to conduct poorly attended local meetings.

#### RESEARCH

A lot of what we have done on international trade research is too theoretical and too sterile and not very relevant to meeting the needs of policy formation or increasing exports. There is no sense of urgency of getting our analysis completed on time and communicated in lay terms to policy makers and people in the trade. Much of our research is based on modeling that predicts adjustments

that are not necessarily credible with people who know how these markets really work or how certain foreign economies really work.

What then are the research needs? We certainly need people who not only have the rich tool kit of theoretical concepts and quantitative methods, but who also have spent time learning how international commodity markets work, as well as understanding the policy implications. Gaining those additional skills will require a lot of money and extended overseas travel and residence. Obtaining these necessary resources has been difficult for Colleges of Agriculture.

Let me now list several subject areas where I believe our research is falling short and certainly more is needed. We need research on the likely adjustments from global trade liberalization. We are well into this new GATT Round and yet we do not have a professional consensus on what the adjustments will be or how big they will be or even necessarily the direction of adjustments for different commodity markets in different countries.

Macroeconomic linkages we all agree are now important, as shown in Ed Schuh's famous 1974 paper. While we recognize the importance, we have not done a very good job of coming to a consensus on the magnitude of the linkages among macroeconomic shocks and the readjustments on our agricultural economy.

We have not reached a consensus in the profession on the price responsiveness of export demand. In fact, we do not even have an agreement on whether it is elastic or inelastic any longer. That is probably the single most important parameter in determining our own optimum agricultural policy in this decade. If you really believe that it is inelastic in the long run then of course supply controls make sense because then you can extract economic rents from the rest of the world forever. But with 100 countries or more in the world that grow wheat and price responsiveness of farmers in every country I have seen studied, I find it extremely difficult to believe that the price responsiveness is inelastic in the long run. Members of our profession, however, are willing to argue this point.

We have not done very well in international marketing research, i.e., understanding foreign markets and what those foreign markets want to buy from American firms by tailoring products to meet the needs of those markets. How many television sets would SONY have sold in the United States if they used the same approach to export marketing as many American firms do? Those sets would be wired with 50 cycle, 100 volt current and would have only Japanese labels on the dial; the only instructions on the box would be written in Japanese. That is the approach that many American firms take to export marketing. SONY did its marketing research and understood what it took to sell in the United States market.

We need more international marketing research as opposed to international trade theory research. We need a lot more Americans who understand the structure of foreign agricultural markets, in both competing countries as well as in those foreign markets where we sell. We need to understand the structure of demand and how it is likely to change over time. We also need to understand the structure of agricultural production and how it is likely to adjust to changes in relative prices, as well as technological changes. We also need to understand political determinants of agricultural trade policies in those countries. We need better understanding of the determinants of international competitiveness of the American agricultural sector.

Economists alone are not going to be able to provide the answers to these issues. We have to conduct multidisciplinary work in cooperation with other social scientists around the world. As agricultural economists, we are simply not credible on our own in doing all the research outlined. We need to document and measure the linkage between Third World economic development and United States agricultural export growth potential.

The last point on my list (which is by no means complete) is that a lot of our agricultural policies in different countries do have stabilization objectives. For example, stabilization objectives are extremely important in Western Europe. Almost all of our analysis is done with deterministic models. Simulation analysis must become a part of the analysis of policies. Deterministic models cannot credibly address the problems of stabilization policies if you assume average weather conditions and average yields in foreign countries each year. This approach is simply not credible.

#### Resources for Agricultural Trade Research

As the moderator indicated, I became an Assistant Professor of International Trade and Agricultural Economics fifteen years ago. A couple years after my initial appointment, I was a founding member of the International Agricultural Trade Research Consortium, which was the beginning of a national regional project. Both data as well as financial support for international agricultural trade research were extremely scarce in those early years, except for USAID sponsored trade development efforts in the Third World.

It is indeed gratifying to see the progress that has been made via the increase in state and federal resources for international agricultural trade research. If we are limited in total resource availability for research, we are even further behind in putting resources into teaching and extension programs in international trade.



It is logical that the Congress is appropriating more funds for work in the international trade area, particularly via the International Trade Development Centers. I think that it is regrettable that the appropriations for this work in international trade, as well as appropriations for agricultural research in general, are increasingly being allocated through the pork barrel. This is going to make it very difficult for us to obtain the biggest bang for our buck from national research investments, whether they be in agriculture or any other area, if we use the pork barrel instead of scientific merit as the basis for allocating those resources.

There is one very exciting new development that I have been involved with recently that I want to mention briefly. I was appointed to the Board of Agriculture of the National Research Council just over a year ago. A major effort of the Board has involved putting together a new one half billion dollar national initiative for agricultural research. An exciting component of the national initiative is that one of the six priority areas for the competitive grants program is marketing policy and trade. Importance of international research is explicit in the proposal. While funding this large initiative may be a long shot (in these days of Graham-Rudman cuts) it is exciting that both Charles Hess and Clayton Yeutter of USDA are working very hard to make this national agricultural research initiative a Presidential initiative in the FY-1991 budget. This program recognizes the importance of food and agriculture in relation to our national resources.

It is going to take the efforts of every one involved (all of us in our profession as well as all our colleagues on our agricultural school campuses, working with our commodity organizations, members of Congress, and everyone else) to create a sufficient excitement on why we need a significant quantum increase in public investments for agricultural research in the United States. We in agricultural economics know that we have been starved in the 1980's from the competitive grants process as well as formula funding for research support. Here we have an opportunity for agricultural economists and all of our agricultural brethren to significantly increase budget support from the Congress and competitive grants programs.

