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## DISCUSSION

F. O. GROGAN—*Department of Trade*

I think most of us will agree with Mr. Schapper's remarks about the useful contribution which farm surveys are making and can make to research and policy formulation on agriculture. I will raise the following points for discussion:

(i) Mr. Schapper says surveys of the farm management type differ from those concerned with the physical attributes of the farm *only* in that they are concerned mainly with farm operators. The word "only" in that sentence to my mind has very great significance. Particularly when we are dealing with surveys of the so-called "Attitudes and Incentives" type I believe the pitfalls are so great as not to be completely overcome by the most careful selection and training of interviewers. Modern psychology has revealed how unreliable are the rationalisations on which we are apt often to explain our actions or intentions. I think surveys of the type where we ask people what they intend to do and why, should always be followed up, if practicable, by a later survey checking the performance against the promise.

(ii) Problems of sampling and of non-response by those being interviewed are real ones if we are concerned with the reliability of our findings in relation to a particular population. When accuracy in this respect is not vital (and this is very often the case), then this technical problem shrinks in importance and the suggestiveness of our findings, rather than the rigour of the proof, is the main concern.

(iii) Two practical difficulties often found in conducting surveys are the provision of suitable staff and the cost. These considerations and those mentioned in my second point about sampling techniques, when considered together, suggest that the survey technique may have particular value where it is possible to use a small number of very competent interviewers using carefully controlled sampling methods to explore problems too complex for mass enumeration methods.

(iv) Mr. Schapper speaks of the unequivocal condemnation by agricultural economists of cost of production surveys for their use in price determination and for farm management purposes and he states that they have been abandoned in America and England. He quotes M. K. Bennett in support of his views.

Taking the second point first, that is, abandonment of these surveys in America and England. I certainly do not believe that the American concept of parity income for the farmer is any magic solution to the problem of price fixing. It still has to be converted into prices for the individual commodities. Similarly in England, although the primary approach to the Annual Review of Farm Guarantees is through the concept of a global figure for farm income yet this has to be translated into a series of individual commodity guarantees or prices.

For this second stage in the review, part of the evidence used is the very great amount of enterprise costing which is still carried out at the Provincial Agricultural Economics Centres in Britain.

Cost of production surveys are usually condemned for two main reasons, namely—the arbitrary nature of many of the so-called imputed items such as farmer's labour allowance and interest on capital, and the fact that any average cost arrived at is unrelated to the marginal costs which should, through the interaction of supply and demand, determine price.

Regarding the imputed items I do not think these are such a stumbling block as is often suggested. Everyone concerned with cost (or price) determinations realises clearly that judgments rather than facts are involved and most of the arguments between the industries and the Government over the determinations usually revolve around these items. The ultimate test must be what is fair and reasonable.

Regarding the relevance of average, as opposed to marginal, costs for pricing policy, Mr. Bennett, when he wrote his doctoral thesis thirty years ago, made great play with the concept of marginal costs. Much research has gone on since then and some of it has shown that the application of marginality in the costing procedures and pricing policies of individual firms is by no means as simple and straightforward as in Bennett's exposition.

Benham (in the recent 5th edition of his textbook) remarks :

"A manufacturer can usually fix his own prices but he tends to fix them at about the same level as products made by his rivals. The price of a manufactured good tends to equal the average variable cost of producing it plus a profit margin which normally covers fixed costs and gives a normal rate of return on capital to most of the firms in the industry. Normally, therefore, the price is neither so high that it attracts new firms nor so low that it forces existing firms out of business. The most efficient firms, however, will make a rather higher return on their capital and the least efficient a rather lower return than the others."

It all sounds uncannily like the apologia that usually accompanies one of our official cost determinations based on a cost of production survey. Perhaps the concept of a "fair" price which primary producers have inherited from the Middle Ages has been reinforced in the minds of primary producers since the growth of manufacturing industry, by the very human reaction, "sauce for the goose is sauce for the gander".

I wish to make it clear that I am not taking sides on this issue but merely expressing the view that if governments undertake price fixing it is not altogether reasonable for agricultural economists to condemn cost of production surveys unequivocally unless they can suggest a better basis which governments can use.

A. J. McINTYRE—*Commonwealth Bank of Australia*

The main criticism which might be made of Mr. Schapper's paper, is that he has said rather too much about what surveys *can* achieve and too little on what particular surveys *have* achieved.

Many will want to question his criticism of cost of production surveys. He has made it appear that those agricultural economists who earn their bread and butter in this way are prostituting their art in order to satisfy the whims of primary producers' organisations. Unfortunately,

Mr. Schapper has merely stated his view without attempting to substantiate it. As an example, he might have discussed the Australian Dairy Costs Survey which admittedly had some severe limitations; however, it gave us much information on the range of costs in various areas, of use to organisations such as banks and also to extension workers.

Mr. Schapper has dismissed what he describes as enumerative surveys, because they leave facts to speak for themselves. However, he made an unfortunate choice of the bad example to illustrate his point. The example he chose was the survey of the sheep industry of Western Victoria by P. S. Lang and others. This survey has been particularly useful in stimulating new research, in helping extension workers and also graziers. In fact, it had to be useful and readable as it was one of the few surveys where readers had to pay to get a copy.

Mr. Schapper states that a survey can fall down because the original objectives were badly formulated and based on wrong assumptions. Unfortunately, he does not give us any good examples. He could have mentioned that some surveys have asked pointless questions about finance and extension. Examples come to mind where the interviewer has apparently assumed that farmers could have used extension services to give them all the information needed for a pasture improvement programme; on the north coast of New South Wales more research work is needed before extension workers can say much to some farmers about these matters.

Most people would agree with Schapper's emphasis about the importance of finding out farmers' motives. One of his own surveys, for example, was most illuminating in that it has thrown doubt on the usefulness of taxation concessions and other administrative measures designed to encourage farm development. Most of the Australian farm surveys have largely used formal questions and formal answers to explore farmers' attitudes and it is difficult to place much reliance on the results. Schapper's own surveys show a considerable improvement on some others because the questions have been carefully framed and arranged. However, I wonder whether he would agree that at times the interviewer should depart completely from a formal questionnaire, talk around the subject with the farmer and then make his own assessment of the farmer's attitude.

Mr. Schapper suggests we need comparative studies of types of farming and contrasting situations. This, indeed, could be very useful but perhaps even more useful would be comparative information about non-farming enterprises. Many of the problems of the poor farmer lacking capital are the same as the poor retailer and the small factory owner. Much could be learnt about the problems of management as applied in rural and non-rural industry, for example, the likelihood of making farming a more interesting occupation if it were run as a large-scale enterprise and not on a family basis.

Schapper complains of the low level of appreciation for work such as farm surveys. However, some blame is due to the poor presentation of reports. This is an issue about which it would be useful to have some comment. No doubt he would want the good surveys to be read

widely by teachers, extension workers, politicians and farmers and in order to reach these groups effectively, some concessions must be made to the readers.

Lastly, he is quite wrong when he said that stratified sampling has not been used in Australia. It may be true that most sampling for farm surveys has been on a straight random basis, but at least, some surveys (e.g., those done at Melbourne University) have used stratified samples.