

Markets and You

Steven C. Turner

Markets are at the center of what many of us do each day, although sometimes it is easy for us to forget this fact. The broadest approach to analyzing markets includes a vast array of situations and consequences. My role here is to remind us of the importance of markets. In addition, any particular individual needs to understand their situation with respect to the markets in which they operate. This same principle holds for firms or organizations. Thus, it is appropriate for our Association to examine its position within the organizational market.

It might be beneficial to explain my perspective, which is one of marketing economics. This perspective assumes we have markets or can develop markets to handle exchange. I have wholeheartedly bought into the neoclassical microeconomic paradigm. I am the first to admit this bias, which supports most of my efforts in the economic arena. Furthermore, I will assume I am preaching to the choir today.

Markets

Our paradigm begins with an assumption about how people behave: they maximize either utility (subject to a budget constraint) or profits. This is a cruel perspective of mankind, but it has suited us well and is probably as effective a viewpoint as any. If you accept this

assumption, a microeconomic framework can be developed to examine a host of problems related to a particular good or service at any point in time and at any location. This essentially is the Bressler and King approach to market analysis, which I believe is simple and robust for most situations. The problem with life is that it is a movie and not a picture. And life is multidimensional, not just two- or three-dimensional. Thus, it becomes necessary to take the common picture that defines who we are and move it through time, space, and form. There are probably other dimensions that we should consider, but that will be left to George Lucas. We can consider moving our picture through time by imagining three dimensions: price, quantity, and time. So basically, we combine two common graphs into one graph. This approach is interesting to some extent and can be useful in understanding the importance of information in the determination of prices.

So we begin with the standard supply and demand schedules that determine an equilibrium price and quantity. Of course, perfect information is assumed. When this assumption is relaxed, there is less preciseness but more realism. We see this in Figure 1, where in any period we get a range of possibilities with respect to price and quantity. Figure 1 simplifies the situation even further by assuming that a fixed supply will exist at time t_1 . The problem is that the information about supply at t_1 is not certain. In fact, supply could be between S_H (high supply) and S_L (low supply). If we rotate Figure 1 over time, it becomes the familiar bar chart, with each bar representing the range of prices for the specified period (Figure 2). The two-dimensional bar chart enables one to examine price in a particular market over time.

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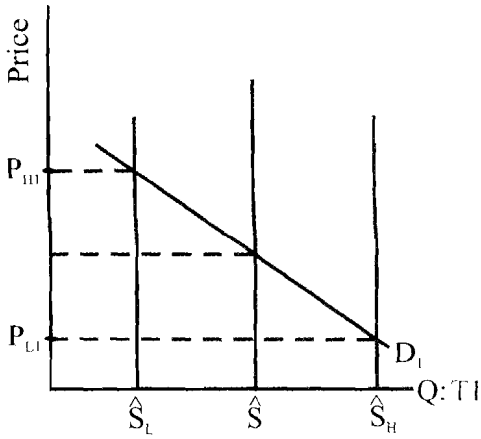


Figure 1. Demand and Expected Future Supply at Time T1

When we use three dimensions, time, price, and quantity, the result is Figure 3. Remember, there is economic theory behind our most simple and complex pictures. This is something we should not forget, because much of our analysis relates to supply and demand or their determinants.

The time dimension of markets is crucial to most economic problems. It opens up opportunities for those in advantageous positions and poses threats to those in precarious positions. For example, there are short-term buyers and sellers and long-term buyers and sellers. Here, *long-term* refers to a situation in which there is no immediate need to trade, while *short-term* implies an immediate need to trade. In general, it is advantageous to lengthen your time horizon. Futures markets help to do this, as does storage. Long-term buyers are usually looking for short-term sellers and vice versa. The importance of knowledge and information to the ability to recognize opportunities and threats cannot be overstated. We will revisit this idea when we discuss individuals and their interaction with markets.

Another dimension of any market is space, or location. My favorite graph in all of economics is the back-to-back diagram of trade between different regions, with its excess demand and supply curves (Figure 4). We know that if trade is allowed between the regions, then quantity and price will adjust to take into account the different supply and demand

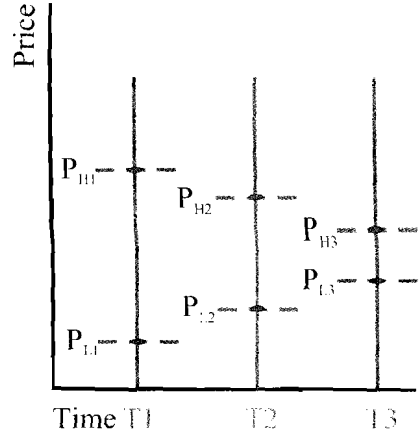


Figure 2. Price Highs and Lows at Times T1 Tk

schedules and transfer costs. Several things should be mentioned here. First, there are opportunities and threats associated with trade. Usually, consumers reap benefits from trade, as do low-cost producers, while higher-cost producers usually see increased trade as a threat. Again, the market is concerned only with clearing and takes no account of the ramifications to the affected party. Of course, social welfare considerations can be developed, but injured parties rarely take this tack because the total benefits from trade are often greater than the costs.

Steve Blank implies that one of the greatest threats to agricultural production in the United States is this spatial dimension to markets. This is not a new argument. One afternoon in

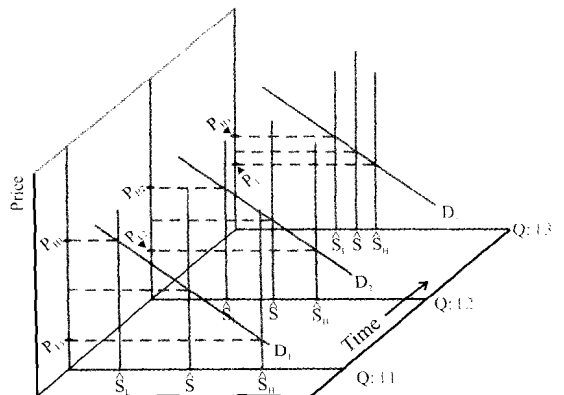


Figure 3. Demand and Expected Future Supply at Times T1, Tk

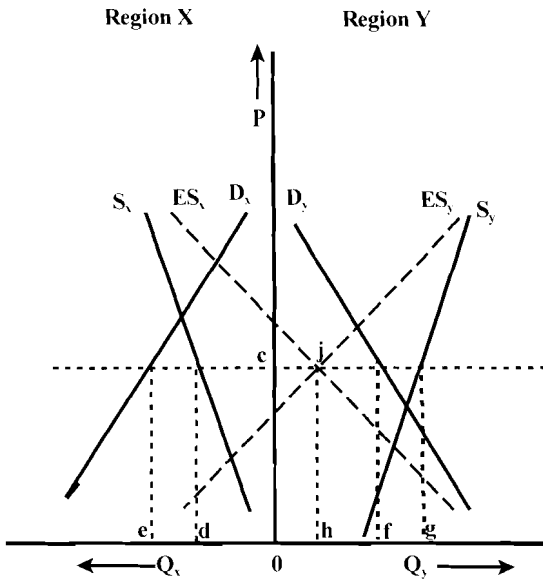


Figure 4. Equilibrium Prices and Trade Illustrated by a Back-to-Back Diagram (Source: Bressler and King, p. 88)

my office, a former student stopped by to say hello to a colleague across the hall, and the two were discussing land prices in Brazil and opportunities for cotton production. What struck me were the low costs associated with Brazilian cotton. Economics would predict that cotton production would gravitate to these low-cost areas. In fact, much agricultural policy in the world relates to this spatial dimension.

The last component that I will discuss with respect to markets is form; that is, the changing of the commodity, product, service, etc., to some other useful product or service. This ability is crucial in a dynamic environment that does not care about yesterday’s valuable product or service. Yet, there are some enduring products for which demand seems to be stable and highly correlated with some observable variables. The idea of changing form is the basis for much of the marketing literature. However, changing form is risky, as is not changing. With that said, the addition of value to some commodity or existing product is also closely related to much economic development, whether it involves manufacturing, processing, or tourism.

You

Most of you in the audience are applied or agricultural economists. Some of you are students, but most of you are faculty or staff of universities or governmental agencies. Some of you are in the private sector. But all of you supply services, whether they are research, teaching, extension, or administration services. It is important that you understand the market you operate within, especially with respect to time, space, and form. As mentioned previously, your biggest opportunities exist if your time horizon is longer, your spatial constraints are fewer, and you have the ability to adapt your product or service to changing demand. However, there is something more important to your success. You must know who you are, what your strengths are, and how to manage yourself.

We often do not realize the importance of self-management until it is too late. Peter Drucker wrote about this topic recently in the *Harvard Business Review* in 1999. He said, “Success in the knowledge economy comes to those who know themselves—their strengths, their values, and how best they perform” (p. 65). All of us here today are knowledge workers. This is the market in which we exchange our services. So it is appropriate for us to spend a few minutes and examine some questions we should be asking ourselves. Drucker (1999) specified six questions: (1) What are my strengths? (2) How do I perform? (3) What are my values? (4) Where do I belong? (5) What should I contribute? and (6) How do I manage my relationships? Reviewing these six questions will help us to determine more specifically what markets we want to enter and maintain a presence in.

What are my strengths? Drucker (1999) suggests using feedback analysis to discover your strengths and weaknesses. “Whenever you make a key decision or take a key action, write down what you expect to happen. Nine or 12 months later, compare the actual results with your expectations” (p. 66). This exercise can show you where your strengths lie and where you have no strength and cannot perform. It is crucial for you to discover your

strengths, and there are implications here. Discover your strengths and concentrate on improving them. As important, put yourself in situations (markets) in which you can profit from your strengths. It is also important to realize, correct, and overcome the barriers (bad habits, weaknesses, etc.) that stifle your progress. To summarize,

One should waste as little effort as possible on improving areas of low competence. It requires far more energy and work to improve from incompetence to mediocrity than it takes to improve from first-rate performance to excellence. And yet most people—especially teachers and most organizations—concentrate on making incompetent performers into mediocre ones. Energy, resources, and time should go instead to making a competent person into a star performer (Drucker 1999, p. 67).

The next question examined is, How do I perform? The answer is unique to you and dependent on a few personality traits that relate to how you best learn and communicate. Drucker (1999) presents the example of Dwight Eisenhower as a reader who put himself in the awkward position of needing listening skills: “When he was a General he was the darling of press. His press conferences were famous for style. Ten years later, the same journalists held him in contempt. His press conferences as President were disasters. Why? Because he was a reader and not a listener. He followed two listeners, Roosevelt and Truman, and tried to follow their lead in having free-for-all press conferences” (p. 67). So, find out if you are a reader or a listener.

It is also important to know how you learn best. Writers learn by writing, readers learn by reading, and listeners learn by listening. Of course, we all learn by some of these three activities, but your primary learning style will probably concentrate on one. As with other suggestions about managing yourself, you should concentrate on your most efficient method of learning. I might warn you that some people learn by talking and listening to themselves. There are other considerations in evaluating how you perform best. Do you work better with people or alone? Do you pro-

duce as a decision maker or as an advisor? How do you perform under stress or in a highly structured environment? Do you perform better in large or small organizations? The answers to these questions will help you determine how you operate and produce your best results. Again, Drucker (1999) summarizes, “. . . do not try to change yourself—you are unlikely to succeed. But work hard to improve the way you perform. And try not to take on work you cannot perform or will only perform poorly” (p. 69).

What are my values? Drucker (1999) differentiates between ethics and values. Ethical rules are the same for everybody in an accepted culture, but values may include more than the standard ethics. A case that may resound with us might be the case in which a department puts little value on writing journal articles or teaching undergraduates. If this attitude were intellectually incongruent with someone’s value system, frustration would ensue. “To be effective in an organization, a person’s values must be compatible with the organization’s values” (p. 70).

Where do I belong? The answer to this question usually involves a journey dependent on answers to the three previous questions. Often, the answer relates to finding out where you do not belong or where you did not succeed. Again, Drucker (1999) summarizes,

Successful careers are not planned. They develop when people are prepared for opportunities because they know their strengths, their method of work, and their values. Knowing where one belongs can transform an ordinary person into an outstanding performer (p. 70).

An auxiliary question to the above is, What should I contribute? This question is reflective of a fairly unique situation that separates us from many workers who are told what to do. Of course, there is some of that in any career, but for those of us whose sustenance is primarily connected to the knowledge economy, this question is perhaps the most difficult. The “correct” answer can also generate the highest payoff. That is, if you can identify the focus of your contribution and your decision match-

es the market, then the return will be high. A definable and manageable time horizon is also important. Drucker (1999) suggests no more than 18 months. Furthermore, he suggests that goals for achieving results from your plan should be difficult but realistic. The contribution should also be meaningful, visible, and measurable (p. 71).

The last question relates to your relationships. We are all dependent on others to be effective. Responsibility for our relationships requires the acknowledgment of the value of others and the need to communicate clearly. The ultimate goal is to develop trust. When you understand that other people have strengths, ways of doing things, and values, then you can adapt. Not change, but adapt. This is important when you have a boss. Drucker (1999) asserts that it is our responsibility to "manage" our boss. How? By observing and adapting to help them become more effective. This principle holds for others we work with. "Working relationships are as much based on people as they are on work" (p. 72).

Another point to remember is the value of manners. "Manners are the lubricating oil of an organization . . . simple things like saying 'please' and 'thank you' and knowing a person's name or asking about their family enables two people to work together whether they like each other or not" (p. 67).

Individual responsibility for communicating lies at the heart of many of our problems. We do not know what others do because we do not ask them. There is value in telling people about yourself and asking about them. My wife tells me that women are much better at this than men. If there is one thing I have learned, it is to bite the bullet and ask. Organizations are built on the trust that exists between their interdependent entities. You do not have to like someone to trust them. You do have to understand them and realize your interdependence on them. You also must agree on a common vision or goal.

A final thought on managing yourself is to behave as if you were self-employed. If you believe you have some control over the results of your life, then you are responsible for directing your path. As was mentioned in the

market discussion, the value of knowledge and information is dependent on time, space, and form. If you develop your knowledge base and put yourself in the right situation, you can move from competent to excellent. That is a key ingredient in differentiating yourself.

The Southern Agricultural Economics Association

Now we can examine our Association through similar market lenses. In 1998, Eduardo Segarra did an excellent job of discussing the history and current state of the Southern Agricultural Economics Association (SAEA), in addition to suggesting several future directions. Four years later, we have a little but not a lot more perspective. It is useful to start with the formal purpose and objectives of the Association:

The purpose and objectives of the Southern Agricultural Economics Association shall be to foster the study and understanding of agricultural economics and its applications to problems in the southern United States; to promote unity and effectiveness of effort among all concerned with these problems; to promote improvement in the professional competence and standards of members; to cooperate with other organizations and institutions engaged in similar or related activities; and to increase the contributions of agricultural economists to human welfare (Segarra, pp. 3-4).

When Segarra surveyed charter members of the SAEA, he found that the major goals as seen by them were: (1) "... to foster increased interaction among southern agricultural economists," (2) "... to increase the number of publication outlets," and (3) "...to enhance the understanding of agricultural economic issues in the South" (p. 7). In the same survey, these charter members indicated that the SAEA was not begun to enhance teaching, interaction with industry, or extension activities (p. 7). It is important to know where we came from, where we are, and where we might be headed. But all of these paths are related to the market framework previously discussed.

If membership is viewed over time, it is

apparent that the Association has maintained a membership of between 600 and 1,200. From 1991 to 2000, the average membership was 994, which included an average of 824 individual members and an average of 170 institutional members. So, if we take 1,000 members as our equilibrium over the long run, then we can start a discussion of the elasticity of demand for SAEA services. We have recently raised the price of membership from \$20 to \$30. This compares with \$100 for the American Agricultural Economics Association, \$25 for the Western Agricultural Economics Association, and \$40 for the Food Distribution Research Society. Thus, at the previous price of \$20, the SAEA was probably underpriced. If demand is inelastic, then the decrease in membership resulting from the price increase should be minimal.

The success of any organization or firm is dependent on how well it manages its operations, finances, and marketing (Drucker 1985). The SAEA is no exception. Our major products are our communication vehicles (journal and newsletter) and meetings. Since we are very dependent on voluntary or subsidized resources, we have been able to maintain a relatively strong financial position. We have extended our product line to include various student activities, some Internet-related communications, and some other minor variations on our basic services.

I previously discussed how individuals should concentrate on their strengths, learn where they belong and what they should contribute, and become proficient at managing their relationships. These suggestions also apply to organizations, such as the SAEA, and relate to operations, finance, and marketing.

Naturally, as incoming president, I believe that the SAEA is in a strong position. Most of this strength can be attributed to you, the core constituency, heavy subsidization, and past leadership.

This does not imply that there are no areas of concern. As you might suspect, recent price increases for membership, page charges, and annual meetings were instituted to address financial shortfalls and put ourselves more in line with our competition.

Our operations are solid. We have been

blessed with the recent secretary/treasurer team of Bob Nelson and Walt Prevatt from Auburn University, who have coordinated our annual meetings, kept our books, and done most everything involving any visibility for the Association. I fully expect Ken Paxton and Lonnie Vandever from LSU to continue and improve on their tradition. John Penson, the editor of the *Journal of Agricultural and Applied Economics*, will run a tight ship from his beachhead at Texas A&M.

Marketing is our weakest leg in the Association. This is not because of neglect. It is simply the nature of voluntary organizations. We should remember that demand for our services is derived from academic demands on our members. We have proved to be a reliable and convenient supplier. But we can do better. There might be demand for new products or services that can fill a niche. We currently are exploring putting past issues of our journal online and expect this project to be complete by the summer of 2003. We are also investigating ways to cooperate with other associations to increase the efficiency of our operations. I want to encourage you to contact me or the board with your ideas and suggestions. I believe there is a market niche with respect to extension that we have not filled particularly well. And there are probably others.

I believe the SAEA can grow and surpass our previous high membership of 1,279 (in 1987). A goal of 1,200 members by 2004 is not unrealistic.

One of my goals as an educator is to assist undergraduates as they become researchers. Perhaps the SAEA could expand its student section and its selected papers section to include an undergraduate student selected paper session. Maybe this session would result in an undergraduate journal. There is nothing we do as an association that is as important as providing a forum for our younger members and potential members. Such a forum is especially important for graduate students and beginning faculty. The board has targeted graduate students for membership through a program that allows all graduate students in a department to join the SAEA for \$10 per student. Although this is not profitable in the short run for the Association, it allows us to reach potential

lifetime members at an early stage in their careers.

Conclusions

The lessons of a market are often cruel but efficient. For any particular participant, the ideal is to be in a position to take advantage of opportunities that are periodically presented. The same ideal holds for institutions and organizations. Inherent in achieving this ideal is having the necessary knowledge base and information flow. Individuals should concentrate on improving their strengths, realizing where they belong, and improving their relationships. Organizations must periodically reassess their situation to determine the markets for which they are best suited. Currently, the SAEA maintains a strong regional presence among agricultural economists. The journal and the meetings are the primary connecting mechanisms for members. With regard to the relationship between the SAEA and its members, the primary tools are a newsletter and a Web site. Electronic mail has not been used in the past but could become another communication tool. Other operational considerations include electronic payment for services, easily accessible and manageable databases, and attractive meeting sites.

I want to finish with a challenge to all of our members to use your assets and skills not only in your specific careers, but also in your communities. Many of you already serve on boards, coach teams, teach Sunday school, mentor, or do other volunteer work. It is important for us to connect and be active partic-

ipants at the local, state, national, and international levels. But we should also realize that our career nourishment flows from our professional associations. Meetings like this one are exciting because we see what others are doing and let them know what we are doing. The exchange of ideas, even apparent ideas like "cultivate your strengths and appreciate your colleague's differences," is the single most powerful value of the SAEA. Thank you again for this opportunity. The Southern Agricultural Economics Association has a rich history initiated by about 500 agricultural economists from the southern United States. Its future is dependent on you, me, and the students down the hall in the Quiz Bowl. More important is to keep our enthusiasm for the study and application of economics. As the 2002 Southern Agricultural Economics Association annual meeting begins, let me encourage you to get as much as possible from your visit to Orlando.

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