**AEM 6700 Economics of Consumer Demand August 29/2016**

The U.S. Highbush Blueberry Council (USHBC) has contacted you as a consultant to help them solve a problem. The USHBC is a national research and promotion organization that began operation in October of 2001. It uses a variety of promotion techniques to increase the demand (sales) for blueberries. In the domestic market these activities include health research, technical assistance and promotion to food service and food manufacturers, consumer public relations, advertising, and promotion.

The USHBC was authorized under the Commodity Promotion, Research, and Information Act of 1996 and was approved in 2000 by a majority (67.8%) of producers and importers in a special referendum. Under the original program, domestic blueberry producers and importers were assessed at a rate of $12.00 per ton, and the collected revenue was used to fund promotion, research, and information projects. However, in October 2012, the USHBC unanimously agreed to increase the assessment rate to $18 per ton “to more aggressively promote highbush blueberries and take advantage of the growing scientific knowledge of the healthfulness of our product.” In 2014, $3 million were spent on domestic blueberry promotion and $630,000 spent on export blueberry promotion.

Since the 1996 Farm Bill, all federal checkoff promotion programs[[1]](#footnote-1) must be evaluated so that their return to investors can be determined. Suppose you have been hired as consultant to help the council determine the market impacts of the USHBC’s checkoff program. Specifically, you need to help assess whether the domestic blueberry promotion activities of the USHBC have had a positive impact on domestic demand of blueberries and on grower profits.

You are given blueberry demand data from 1970 to 2014 which include: U.S. per capita blueberry consumption, blueberry grower prices (real), real (inflation adjusted) U.S. GDP, consumer price index (CPI), real expenditures on generic blueberry promotion, strawberry and raspberry grower prices (nominal), and U.S. population. Based on these data, you are asked to shed light the following questions to help evaluate the impacts of the checkoff program:

* Does the marketing program result in increased demand?
* What are the factors affecting blueberry demand over time? Tip: Demand-determining factors include: price of the commodity, prices of competing commodities, population, consumer income, and generic marketing expenditures
* How to distinguish the impact of USHBC’s marketing efforts on demand for blueberries from other factors influencing demand?

Tips: You can use graphs and descriptive statistics to get insights about the data. Use what you know about the economics of demand; and use what you know about statistics and quantitative methods to address the questions. Do not worry if you do not know everything you need to know to solve the problem. The most important asset here is to have common sense and economic logic.

1. In the US, a commodity checkoff program collects funds through a checkoff mechanism from producers of a particular agricultural commodity and uses these funds to promote and do research on that particular commodity. The organizations must promote their commodity in a generic way, without reference to a particular producer. Checkoff programs attempt to improve the market position of the covered commodity by expanding markets, increasing demand, and developing new uses and markets. [↑](#footnote-ref-1)