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of running out, and this abnormal level of buying drove prices even higher creating more and more fear among consumers. All needs or necessities have one economic trait in common. Because they are necessities, consumers will bid against each other to ensure that they get their individual supplies. A small reduction in supply, even a perceived one, will drive prices up very strongly.

In this country, the shoe is on the other foot most of the time. There aren't any perceived shortages, and customers don't work themselves into bidding frenzies. Instead, producers underbid their fellow farmers so they can sell. The net result or economic trait, which identifies this group of commodities we have on our needs list,

is that small changes in supply, real or imagined, lead to very big changes in prices. Economists describe these commodities as being price inelastic.

On the other hand, those commodities on the want lists have a different set of economic traits. A small reduction in supply of one of them will not result in a bidding war among consumers because, after all, they are not necessities. Prices for such commodities are said to be relatively price elastic. In other words, prices for such products do not go up or down a great deal with small changes in supply.

A few weeks ago, while attending The Pennsylvania Vegetable Growers Association meetings at Hershey, I listened to a presentation made by an innovative market-oriented young farmer

from North Carolina. His presentation was very good and was so stimulating that I and several others sought him out later, and he led a lively discussion in the corridor. The man's name is Mr. Carrigan. He lives in Mooresville, N.C., and he made a comment that I'd like to pass along to those contemplating diversification of their farming operations or those looking for alternative crops. When asked why he was shifting to flowers, ornamentals, Christmas trees and the production of other non-food items rather than increasing outputs of some of his food crops, he replied that he could make more money catering to peoples wants than he could producing food to meet their needs. I thought he made a very strong point. I would not attempt to

explain exactly what he meant, but I believe he was correct. After all, food is not often in short supply in this country, as hamburger was believed to be back during the 1970's. Generally there is abundance, and prices tend to be low because food is a necessity and price inelastic. Mr. Carrigan is a direct marketer so he does gain the profits and incurs at least some of the costs experienced by middle men in a more typical system. If he were to expand production of food items, he'd drive his prices down still further. Once his customer's stomachs are full, they want no more. But when his customers' appetites are satisfied for bedding plants or any number of other non-food items, prices will not have to fall so low to sell the remainder --

they are more price elastic. When we think of all the pets, pet food, bird seed, etc. that are, or could be, on consumers' want lists, I think Mr. Carrigan is making a good point. Why expand by producing more for an already over supplied market? Maybe we should look at consumers want lists and produce something they want -- and, oh yes, be willing to pay for.

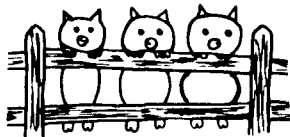


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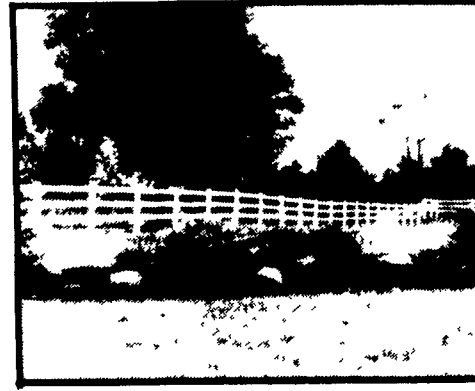
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