



FOOD MARKETING POLICY CENTER

NEWSLETTER

Department of Agricultural and Resource Economics
College of Agriculture and Natural Resources
University of Connecticut

Mission

The Food Marketing Policy Center conducts research on food and agricultural marketing and related policy questions. It facilitates research by maintaining large scale data bases and a visiting research scholars program. The general intent is to provide information that can contribute to improved performance of the food production and marketing system. Key users include farmer and consumer organizations, agribusiness firms, public agencies, state legislatures, and the U.S. Congress.

Tel. (860) 486-1927
FAX (860) 486-2461

fmpc@uconn.edu
<http://www.fmpc.uconn.edu>

June 2005 (Vol. 12 No. 2)

Inside this Issue:

Policy Editorial	1
Center Staff	3
Agribusiness Journal	3
Activity Report.....	5
Data Corner	6
Publications and Papers	7

Newsletter Editorial:

Julie Caswell delivered a Distinguished Faculty Lecture at the University of Massachusetts Amherst on February 28. She also received the Chancellor's Medal, the highest honor bestowed on individuals for exemplary and extraordinary service to the university. Here is an excerpt from her lecture:

A Food Scare a Day: Why Aren't We Better at Managing Dietary Risk?*

by Julie A. Caswell

Information on the health risks, or the reverse the health benefits, of eating particular foods is increasingly before us in the media, and delivered to us by health care professionals, government, and consumer groups. Sometimes the news amounts to a food scare. Does the existence of food scares mean that we are bad at risk management? Not necessarily. New information is developed as we go along that can bring new risks to the forefront or put known risks into a new perspective. But in some cases food scares do indicate poor risk management. In these cases, information generates a scare because there is insufficient risk management in place or the response to the new information is inadequate.

Why isn't the U.S. federal government better at managing dietary risk? To answer we need to take a step backward and look at the whole process needed to handle dietary risks. In recent years, governments and companies around the world have adopted a common conceptual approach to this process called risk analysis. Risk analysis is an iterative process with three components: risk assessment, risk management, and

risk communication. There are two key problems that explain why we are not better at managing dietary risks:

- 1) An imbalance of effort among the three components of risk analysis: risk assessment, risk management, and risk communication.
- 2) Inadequate risk management.

Focusing on the imbalance of effort first, let us use a vehicle analogy. In the United States, risk assessment currently is a Hummer, in fact the very largest of the Hummers. The Hummer is over built, expensive (base price of \$140,000, much more with added features), and has very low mileage. It provides great protection to its occupants but will flatten anyone else it runs into on the road. The Hummer risk assessment takes a lot of scientific expertise. It is expensive. We have only a very few, very high quality risk assessments for food. We are shining a very bright, focused light on a small number of very specific risks. The Hummer risk assessment (how many a year, a decade?) detracts from a comprehensive approach to risk management.

Meanwhile risk management is a Yugo, a very inexpensive vehicle some may remember as being marketed in the United States in the 1980s. It was under built and cheap; it got high mileage *if* it did not break down. It provided questionable protection to its occupants; although it was unlikely to cause serious damage to anyone it ran into on the streets. In the United States, and similarly in other countries around the world, we have not devoted enough analytical talent and resources to developing and evaluating options to manage risk. Risk communication is even further behind. It is a child's big wheel tricycle selling for about \$50. You would not want to drive it down the highway. The first problem that explains why we are not better at managing dietary risks is the imbalance of quality of effort among the three components of risk analysis.

The second problem that explains why we are not better at managing dietary risks is, simply put,

inadequate risk management. We are not better at managing dietary risk because of:

- What we do not know.
- What we know too well.
- What we have not tried to find out.

What we frequently do not know well enough are the diverse benefits that may result from particular control options. What we know too well is usually the direct costs of taking further control actions. What we have not tried to find out in many cases is strategic information necessary to make good decisions. The case of the management of bovine spongiform encephalopathy (BSE, popularly known as mad cow disease) in North America provides evidence of all three of these shortcomings.

Managing dietary risks is a complex problem. Essentially, risks pile up and the management burden grows. The big management burden requires that we become more efficient at making decisions. If consumers are to be confident in the regulatory system, the system must find a way to avoid tipping points where the federal government says no, no, no, no to stricter controls and then suddenly yes. Our regulatory history is full of tipping points. A prime example is the Jack in the Box *E. coli* O157:H7 outbreak in 1993 and the first case of BSE in the United States in 2003. For two reasons we should not wait for the human health consequences or other consequences, such as trade disruption, to reach some critical mass before they can outweigh what we know too well—the direct costs of better controls. First, it is bad policy. Second, in crisis mode we may misspend our control resources on the wrong risks or the wrong way of controlling them.

Recall the Hummer risk assessment, the Yugo risk management, and the tricycle risk communication. We need to replace the Yugo with a Toyota Prius Hybrid. This hybrid is built right, a good value, has high mileage, works, provides good protection to its occupants, and poses less threat to pedestrians and passengers in other cars. We also need to upgrade risk communication from its tricycle status. Better risk management requires a two-tier approach: 1) generate broad and shallow information on risks,

health outcomes, incentives, options, benefits, and costs (Toyota Prius Hybrid risk management to be used everyday) and 2) generate narrow and in-depth information on high priority risks (Hummer risk assessment to be used sparingly.)

*A longer version of this text will be published as a Perspective in *Human and Ecological Risk Assessment*, October 2005.

Food Marketing Policy Center Staff and Researchers—UConn and UMass

Ronald W. Cotterill, Director (860) 486-2742
Ronald.Cotterill@uconn.edu
Julie A. Caswell (UMass) (413) 545-5735
Caswell@resecon.umass.edu
Robert J. Johnston (860) 405-9278
Robert.Johnston@uconn.edu
Nathalie Lavoie (UMass) (413) 545-5713
Lavoie@resecon.umass.edu
Qihong Liu (UMass) (413) 545-6650
qiliu@resecon.umass.edu
Rigoberto A. Lopez (860) 486-1921
Rigoberto.Lopez@uconn.edu
Adam N. Rabinowitz (Res. Assistant) (860) 486-2826
Adam.Rabinowitz@uconn.edu
Lorraine Knight (Secretary) (860) 486-1927
Lorraine.knight@uconn.edu

§

Cooperating Research Personnel at Other Universities

Tirtha Dhar, Assistant Professor (Marketing), Sauder School of Business, University of British Columbia, Vancouver, BC, Canada.

Avi Goldfarb, Assistant Professor (Marketing), University of Toronto School of Business, Canada.

Christian Rojas, Ph.D. student, Dept. of Economics/Agricultural Economics, Virginia Tech.

Bart J. Bronnenberg, Associate Professor of Marketing, The Anderson School at UCLA.

Jason P. Hulbert, Ph.D. student, Dept. of Economics, University of Virginia, Charlottesville.

§

Food Marketing Policy Center Graduate Assistantships Available, Fall 2006

The Food Marketing Policy Center in the Department of Agricultural and Resource Economics has graduate assistantships available at the Ph.D. level. Students with interest in organization of food industries and one or more of the following: demand and price transmission analysis, comparative analysis of U.S. and European foods systems, cooperatives, industrial organization economics, or antitrust policy are encouraged to apply. Support will be for four years. For further information, please contact Ronald W. Cotterill, Director, Food Marketing Policy Center, Storrs, CT 06269-4021. Tel. (860) 486-2742, Fax (860) 486-2461, or Email: Ronald.Cotterill@uconn.edu.

§

AGRIBUSINESS: An International Journal update by R. W. Cotterill, Editor

Agribusiness, and more than a dozen other economic journals, are now available on line to subscribers at (www.interscience.wiley.com).

The journal is also indexed in Econlit.

Instructions for manuscript submissions are available by email: (FMPC@UCONN.EDU). Manuscripts are submitted electronically to the same address. Articles appearing in Issues No. 1 and 2, 2005 are as follows:

***Agribusiness* 21(1) Winter 2005**

"Derived Demand for Disaggregated Cheese Products Imported Into Japan" by Andreas P.

Christou, Richard L. Kilmer, James A. Sterns, and Shiferaw T. Feleke.

“Conservation, Markets, and Fisheries Policy: The North Atlantic Bluefin Tuna and the Japanese Sashimi Market” by Josué Martínez-Garmendia and James L. Anderson.

“The Effects of Barge Shocks on Soybean Basis Levels in Arkansas: A Study of Market Integration” by Andrew M. McKenzie.

“Overcoming Informal Trade Barriers Among Japanese Intermediaries: An Attitudinal Assessment” by Kenneth C. Gehrt, Sherry Lotz, Soyeon Shim, Tomoaki Sakano, and Naoto Onzo.

“Starting Salaries for Agribusiness Graduates From an AASCARR Institution: The Case of Southern Illinois University” by Kim Harris, Dwight R. Sanders, Shaun Gress, and Nick Kuhns.

“Developing Marketing Strategies for Green Grocers: An Application of SERVQUAL” by David B. Eastwood, John R. Brooker, and James D. Smith.

“The Effects of Industry and Firm Resources on Profitability in the Food Economy” by Sara Schumacher and Michael Boland.

“Heterogeneity in the Likelihood of Market Advisory Service Use by U.S. Crop Producers” by Joost M.E. Pennings, Scott H. Irwin, Darrel L. Good, and Olga Isengildina.

Book Review by Glenn C.W. Ames
Banana Wars: The Anatomy of a Trade Dispute, edited by T.E. Josling, T. Taylor, and T.G. Taylor.

***Agribusiness* 21(2) Spring 2005**

Special Issue: Retailing and Producer-Retailer Relationships

Introductory Remarks
Ronald W. Cotterill and Louis-Georges Soler

“Supermarkets and Their Impacts on the Agrifood System of Brazil: The Competition Among Retailers” by Elizabeth M.M.Q. Farina, Rubens Nunes, and Guilherme F. de A. Monteiro.

“Constrained Price, Address, or Logit Brand Demand Models: An Econometric Comparison in the Boston Fluid Milk Market” by Li Tian and Ronald W. Cotterill.

“Determining the Causality Between Retail Price and Consumer Demand in a Linear Function when Demand-Shift Variables are Missing but Wholesale Prices are Available” by W. Erno Kuiper and Matthew T.G. Meulenberg.

“Branding and Its Consequences for German Agribusiness” by Jon H. Hanf and Rainer Kühl.

“Consumer, Retailer, and Producer Assessments of Product Differentiation According to Regional Origin and Process Quality” by Antje Wirthgen.

Vertical Contractual Relations in the Italian Beef Supply Chain” by Cristina Mora and Davide Menozzi.

“Effects of the Swiss Retailers’ Strategy on the Governance Structure of the Fresh Food Products Supply Chains” by Sophie Révion and Jean-Marc Chappuis.

“Vertical Integration and Non-Linear Price Adjustments: The Spanish Poultry Sector” by Monia Ben-Kaabia, José M. Gil, and Mehrez Ameer.

“Marketing Margins and Price Transmission on the Hungarian Pork Meat Market” by Lajos Zoltán Bakucs and Imre Fertő.

Book Review by Dawn Thilmany
Agri-Food Globalization in Perspective, by Bill Pritchard and David Burch.

Activity Report

Ronald W. Cotterill

(*Ag. Econ., University of Connecticut*)

Ron delivered an invited paper at the Australian Agricultural and Resource Economics Society annual conference titled, “Industrial Organization Analysis of Supermarket Retailing: Common Global Concerns that Play Out in Local Markets.” The conference was held at Coffs Harbour, New South Wales, Australia, February 9-11, 2005.

Ron traveled to Wooster, Ohio on March 7-10, 2005 to present a testimony at the Hearing to Amend Certain Provisions of the Mideast Federal Milk Marketing Order (FMO33). His statement was entitled, “Vertical Foreclosure: The Impact of the Proposed Reduction in Diversion Limits on the Exercise of Market Power and the Economic Performance of Milk Marketing Channels in the Mideast Federal Milk Marketing Area.”

Ron is the 2005 recipient of the University of Connecticut College of Agriculture and Natural Resources Award of Excellence. This award recognizes outstanding research accomplishments by an individual.

Julie Caswell

(*Ag. Econ. University of Massachusetts*)

Julie Caswell was an instructor in 1-week Advanced Course on *Quality Assurance In Agro-Food Marketing: Normatives, Systems, and Business Implications* at the International Centre for Advanced Mediterranean Agronomic Studies (CIHEAM), Zaragoza, Spain, in March 2005.

Julie Caswell is serving as a member of the National Academy of Sciences Committee on Nutrient Relationships in Seafood: Selections to Balance Benefits and Risks. The Committee will meet over the next 18 months and issue a report.

Julie Caswell has been appointed to a 3-year term as a member of the *Food Forum* sponsored by the

Institute of Medicine, National Academies of Sciences.

Julie Caswell and David Sparling (University of Guelph) presented a seminar on *A NAFTA Approach to Animal Health and Biosecurity: Pipe Dream or Possibility?* to the Risk Analysis and Animal Health Policy Roundtable, Texas A&M University, May 3, 2005.

Robert J. Johnston

(*Ag. Econ., University of Connecticut*)

The final report, “Consumer Preferences for Ecolabeled Seafood: Results of a Connecticut Survey” was completed and submitted to the Food Marketing Policy Center in late December. The report was authored by Cathy A. Reheim, Robert J. Johnston, Jessica Greer, and Holger Donath.

Based in part on the results of this work, Rob and Cathy have submitted a full proposal to Rhode Island Sea Grant to conduct further research regarding tradeoffs in seafood ecolabeling. This summer, focus groups will also be conducted to assess consumer reactions to the new “country-of-origin” and “wild vs. farmed” labels that were mandated on all fresh seafood as of April 1, 2005.

Nathalie Lavoie

(*Ag. Econ. University of Massachusetts*)

Nathalie Lavoie presented, “Do Brick-and-Clicks Price Discriminate?” at the International Industrial Organization Conference, Atlanta, Georgia, April 8-9, 2005. The paper is joint with Andreea Rotaru.

Qihong Liu

(*Ag. Econ., University of Massachusetts*)

Qihong Liu presented, “Product Customization” at the International Industrial Organization Conference, Atlanta, Georgia, April 8-9, 2005 (paper joint with Konstantinos Serfes and Dan Bernhardt).

Qihong Liu has completed the paper, “Promotion and Price-matching.”

Rigoberto Lopez

(*Ag. Econ., University of Connecticut*)

Rigoberto was interviewed on May 10, 2005 on the Wayne Norman Morning Show (14 AM Wili Radio) about community food security in Northeastern Connecticut.

Benaissa Chidmi, Ph.D. graduate student, gave a presentation of a paper entitled, “Decomposing Market Channel Profits: The Case of Ready-to-Eat Breakfast Cereals,” co-authored by Rigoberto Lopez and Ronald W. Cotterill, at the Food Systems Research Group Conference, June 16-17, 2005 in Madison, Wisconsin.

Benaissa Chidmi’s paper entitled, “Vertical Relationship in the Ready-to-Eat Cereal Market in Boston” co-authored by Rigoberto Lopez and Ronald W. Cotterill was accepted for presentation at the EARIE 2005 32nd Conference in Porto, Portugal, September 1-4, 2005.

Alessandro Bonanno, Ph.D. graduate student, presented a selected paper entitled, “Retail Configuration and Milk Prices,” co-authored by Rigoberto Lopez, at the Northeastern Agricultural and Resource Economics Association Meetings, June 12-15, 2005 in Annapolis, Maryland.

Adam D. Rennhoff

(*LeBow College of Business, Drexel University*)

Adam D. Rennhoff completed his Ph.D. at the University of Virginia entitled, “A Theoretical and Empirical Investigation of Slotting and Promotional Allowances in the Grocery Industry.”

Adam D. Rennhoff’s paper entitled, “Paying for Shelf Space: An Investigation of Merchandising Allowances in the Grocery Industry” is under review at the *RAND Journal of Economics*.

Data Corner

Recent acquisitions include:

Metro Market Studies *Discount Store Distribution Analysis and Guide 2005*.

Metro Market Studies *Drug Store Distribution Analysis and Guide 2005*.

Metro Market Studies *Grocery Distribution Analysis and Guide 2005*.

Trade Dimensions *Directory of Convenience Stores 2005*.

The Food Marketing Policy Center has extensive holdings of Competitive Media Reporting, Leading National Advertisers, national advertising data, 1987-1997. Contact the Policy Center for details on specific holdings.

The Food Marketing Policy Center subscribes to the following trade journals; the current holdings are listed for each publication:

Progressive Grocer, The Publication for Strategic Management, November 1987-current.

Sales and Marketing Management, January, 1989-current.

Supermarket Business, 1996-current.

Supermarket News, The Weekly Newspaper of Food Retailing, 2000-current.

Food Institute Report, 1984, 1985, 1988-current.

Private Label, The Magazine for the Brands. 1993-current.

Cooperative Grocer, For Retailers and Cooperators. 1994-current.

Cheese Reporter, Serving the World’s Dairy Industry Weekly, 2000-current.

The Griffin Report of Food Marketing, 1991–current.

Hoard's Dairyman—The National Dairy Farm Magazine. February 2003–current.

The Milkweed, The Farmer's Milk Marketing Report, October 2000–current.

Contact Adam N. Rabinowitz (860) 486-2826 for a complete listing of data and reference works available.

§

Food Marketing Policy Center Publications Catalog

We have updated the list of the publications that are available through the Center. Call (860) 486-1927, write for a copy, or print it from our Home Page: <http://www.fmpc.uconn.edu>

§

Recent Papers and Publications

Bonanno, A. and R.A. Lopez. "Private Labels and Supermarket Milk Prices." *Journal of Agro-Food Industrial Organization*: 2005, Vol. 3, No. 2:Special Issue, Article 2 (16 pages). Available from <http://www.bepress.com/jafio/vol3/iss1art2/>

Canan, Basak, and Ronald W. Cotterill. "Strategic Pricing in a Differentiated Product Oligopoly Model: Fluid Milk in Boston." Forthcoming in *Agricultural Economics*.

Caswell, Julie A. In Press. A Food Scare a Day: Why Aren't We Better at Managing Dietary Risk? *Human and Ecological Risk Assessment*.

Caswell, Julie A. and David Sparling. 2005. Risk Management in the Integrated NAFTA Market: Lessons From The Case of BSE. In *North*

American Agrifood Market Integration: Situation and Perspectives, Proceedings of the First Annual North American Agrifood Market Integration Workshop, ed. Karen M. Huff, Karl D. Meilke, Ronald D. Knutson, Rene F. Ochoa, James Rude, and Antonio Yunez-Naude. College Station, Texas: Texas A&M University.

Chidmi, Benaissa, Rigoberto Lopez and Ronald W. Cotterill. "The Dairy Compact, Market Power, and Milk Prices in Boston." Forthcoming, *Agribusiness*, Vol. 21, No. 4, Autumn 2005.

Chidmi, Benaissa, Rigoberto A. Lopez, and Ronald W. Cotterill. "Supermarket-level Demand for Breakfast Cereals: A Random Coefficients Approach." *American Journal of Agricultural Economics*. (Submitted).

Cotterill, Ronald W. "Milk Pricing Matters for the Sustainability of Dairy Farmers in the Northeast." Food Marketing Policy Center Issue Paper No. 48, June 2005.

Cotterill, Ronald W. "Antitrust Analysis of Supermarket Retailing: Common Global Concerns that Play Out in Local Markets." February 2005. Forthcoming in the *Australian Journal of Agricultural and Resource Economics*.

Cotterill, Ronald W. "Introduction to the Forum on the Northeast Dairy Compact and Articles on Price Transmission and Market Power in Local U.S. Milk Markets." Forthcoming, *Agribusiness*, Vol. 21, No. 4, Autumn 2005.

Cotterill, Ronald W. "The Impact of the Northeast Dairy Compact on New England Consumers: A Report from the Milk Policy Wars." Forthcoming, *Agribusiness*, Vol. 21, No. 4, Autumn 2005.

Goldfarb, Avi, Qiang Lu, and Sridhar Moorthy. "Measuring Brand Equity in an Equilibrium Framework: A Structural Approach." Food Marketing Policy Center Research Report No. 89.

Grolleau, Gilles and Julie A. Caswell. Interaction Between Food Attributes in Markets: The Case of Environmental Labeling. Working Paper 2005-5, Department of Resource Economics, University of Massachusetts, Amherst.

<http://www.umass.edu/resec/workingpapers/index.html>

Johnston, Robert J., and Cathy A. Roheim. 2005. "A Battle of Taste and Environmental Convictions for Ecolabeled Seafood: A Choice Experiment," submitted to the *Journal of Agricultural and Resource Economics*. First round review results have been returned to the authors, and revisions for a resubmission are currently underway. This paper has also been accepted for presentation at the annual meetings of *American Agricultural Economics Association*, to be held in Providence, RI from July 24-27.

Larson, Bruce A. and Sara Scatasta. 2005. "Modeling the Impacts of Environmental Policies on Agricultural Imports." Forthcoming, *Journal of Policy Models*.

Lass, Daniel. "Asymmetric Response of Retail Milk Prices in the Northeast Revisited." Forthcoming, *Agribusiness*, Vol. 21, No. 4, Autumn 2005.

Lass, D.A., N. Lavoie, and T.R. Fetter. "Market Power in Direct Marketing of Fresh Produce: Community Supported Agriculture Farms." Submitted to *Agricultural and Resource Economics Review*, January 2005. The Working Paper No. 2005-2 is also available at <http://www.umass.edu/resec/workingpapers/resecworkingpaper2005-2.pdf>.

Lavoie, Nathalie. "Price Discrimination in the Context of Vertical Differentiation: An Application to Canadian Wheat Exports." *American Journal of Agricultural Economics*, forthcoming.

Lavoie, Nathalie. "Price Behavior in a Dynamic Oligopsony: Washington Processing Potatoes—A Comment." *American Journal of Agricultural Economics*, in press.

Liu, Qihong and Konstantinos Serfes. "Customer Information Sharing Among Rival Firms." Forthcoming, *European Economic Review*.

Liu, Qihong and Konstantinos Serfes. "Imperfect Price Discrimination, Market Structure and Efficiency." Forthcoming, *Canadian Journal of Economics*.

Liu, Qihong and Konstantinos Serfes. "Imperfect Price Discrimination in a Vertical Differentiation Model." Forthcoming, *International Journal of Industrial Organization*.

Lopez, Rigoberto A. and Carmen Lirón-España. "Price and Cost Impacts of Concentration in Food Manufacturing Revisited." *Journal of Agribusiness*: 23 (Spring 2005): 41-55.

Lopez, Rigoberto A. and Xenia Matschke. "Food Protection for Sale." University of Connecticut, Food Marketing Policy Center Research Report 85, May 2005, 26 pages. Available from <http://www.fmpc.uconn.edu/rr/rr85.pdf>. Also published as an IDEAS-RePEc working paper.

Rojas, Christian. "Does the King Use Its Power? Price Competition in U.S. Brewing." May, 2005. Food Marketing Policy Center Research Report No. 87.

Sparling, David and Julie A. Caswell. A NAFTA Approach to Animal Health and Biosecurity: Pipe Dream or Possibility? Commissioned paper presented at the Second Annual *North American Agrifood Market Integration Workshop*, San Antonio, Texas. May 2005.

Tchumtchoua, S. and R.A. Lopez. *A Town-Level Assessment of Community Food Security in Connecticut*. Research Monograph No. 2, Food Marketing Policy Center, University of Connecticut, May 2005, 63 pages. Available from <http://www.fmpc.uconn.edu/monograph2.pdf>

Tian, Li and Ronald W. Cotterill. “Constrained Price, Address, or Logit Brand Demand Models: An Econometric Comparison in the Boston Fluid Milk Market.” *Agribusiness*, Vol. 21(2), Spring 2005.

§

523938
University of Connecticut
Food Marketing Policy Center
Agricultural and Resource Economics
1376 Storrs Road Unit 4021
Storrs, CT 06269-4021

FIRST CLASS