



# FOOD MARKETING POLICY CENTER

## NEWSLETTER

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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.

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### Newsletter Editorial:

#### A Little History: Marx on Kenneth Lay

by Ronald W. Cotterill

As Kenneth Lay, the CEO of the imploded Enron, goes to trial for securities fraud and swindling investors perhaps it is time to give Karl Marx his due. Landreth and Colander in *History of Economic Theory*, a well written and enjoyable read for professional economists, summarize Marx's views on the concentration and centralization of capital as follows:

The increasing centralization of capital is furthered by the development of a credit system and of the corporate form of business organization. Although the corporation was just beginning to assume importance during Marx's time, he demonstrates a remarkable insight into some of the long-run consequences of the growth of the corporate economy. Corporate capitalism is characterized by the fact that its:

enterprises assume the form of social enterprises as distinguished from individual enterprises. It is the abolition of capital as private property within the boundaries of capitalist production itself. Transformation of the actually functioning capitalist into a mere manager, an administrator of other people's

capital, and of the owners of capital into mere owners, mere money capitalists.<sup>4</sup>

Mark's view, then, is that capital accumulation, economies of scale, the growth of credit markets, and the dominance of the corporation in business organization would lead to the concentration and centralization of capital into fewer and fewer hands. Competition ends by destroying itself, and the large corporation assumes monopoly power. With the large corporation comes a separation of ownership and control and a number of undesirable social consequences:

a new aristocracy of finance, a new sort of parasites in the shape of promoters, speculators, and merely nominal directors; a whole system of swindling and cheating by means of corporation juggling, stock jobbing, and stock speculation. It is private production without the control of private property.<sup>5</sup>

{Landreth and Colander, *History of Economic Thought*, Houghton Mifflin, 1989, p. 192-93.}

Of course since Marx wrote this in the 1860s the populist movement produced the Sherman Antitrust Act (1890), the progressive movement produced the Clayton Antitrust Act and FTC (1914), the New Deal gave us the Securities and Exchange Commission, and recently we have the Sarbanes-Oxley Act. Nonetheless the drive for wealth and power from time to time continue to overwhelm the laws designed to constrain such conduct for the social good. We are building higher dikes in New Orleans. The social control of capitalist economic power seems to face similar uncertainties and needs.

4. Karl Marx, *Capital: A Critique of Political Economy*, ed. Friedrich Engels, trans. from the 3<sup>rd</sup> German ed. by Samuel Moore and Edward Aveling, revised and amplified from the 4<sup>th</sup> German ed. by Ernest Untermann, 3 vols. (Chicago: Charles H. Kerr, 1926), I, 516.

5. *Ibid.*, p. 519.

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### **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, Assistant Professor of Economics/Agricultural Economics, Virginia Tech. (Christian Rojas recently moved from V.P.I. to UT-Dallas on a visiting position.)

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.

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## **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](mailto:Ronald.Cotterill@uconn.edu).

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## **Personnel Changes**

Li Tian recently took an economist/risk management position with Discover Credit Card Corp. in Illinois.

Ariel Singerman (M.S., UConn) and Richard Volpe (M.S., UMass) are now Ph.D. students at the University of California-Davis.

We are happy to announce that Dr. Sven Anders has joined the Food Marketing Policy Center at the University of Massachusetts, Amherst. Dr. Anders holds a Ph.D. from the University of Giessen. He will be working on risk management and industrial organization research with Julie Caswell, Nathalie Lavoie, and Dan Lass.

## **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](http://www.interscience.wiley.com)). The journal is also indexed in Econlit.

Instructions for manuscript submissions are available by email: ([FMPC@UCONN.EDU](mailto:FMPC@UCONN.EDU)). Manuscripts are submitted electronically to the same address. Articles appearing in Issues No. 3 and 4, 2005 are as follows:

### ***Agribusiness* 21(3) Summer 2005**

"Poverty Levels and Food Demand of the Poor in Turkey" by Seda Sengul and Ismail Tuncer.

"The Impact of BSE on Japanese Retail Meat Demand" by Hikaru Hanawa Peterson and Yun-Ju (Kelly) Chen.

"Product-Country Images and Preference Heterogeneity for Mediterranean Food Products: A Discrete Choice Framework" by Riccardo Scarpa, George Philippidis, and Fiorenza Spalatro.

"Recall Event Timing: Measures of Managerial Performance in U.S. Meat and Poultry Plants" by Ratapol Teratanavat, Victoria Salin, and Neal H. Hooker.

"Multinomial Logit Models Comparing Consumers' and Producers' Risk Perception of Specialty Meat" by E. William Nganje, Simeon Kaitibie, and Thomas Taban.

"The Economic Impact of StarLink Corn" by Troy G. Schmitz, Andrew Schmitz, and Charles B. Moss.

"A Dynamic Model of Oligopoly and Oligopsony in the U.S. Potato-Processing Industry" by Ani L. Katchova, Ian M. Sheldon, and Mario J. Miranda.

"An Empirical Evaluation of Factors Determining Vertical Integration in U.S. Food Manufacturing Industries" by Sanjib Bhuyan.

Book Review, by Wesley N. Musser  
*Farm Management Principles and Strategies*, by Kent D. Olson.

**Agribusiness 21(4) Autumn 2005****Contents**

“Introduction to the Forum on the Northeast Dairy Compact and Articles on Price Transmission and Market Power in Local U.S. Milk Markets” by Ronald W. Cotterill.

**Forum on Northeast Dairy Compact**

“The Impact of the Northeast Dairy Compact on New England Consumers: A Report From the Milk Policy Wars” by Ronald W. Cotterill.

“Effects of Government Programs to Raise Milk Prices: Academic Economists and Public Policy” by Daniel A. Sumner.

**Articles on Price Transmission and Market Power in Local U.S. Milk Markets**

“Retail Oligopoly Power, Dairy Compact, and Boston Milk Prices” by Benaissa Chidmi, Rigoberto A. Lopez, and Ronald W. Cotterill.

“Asymmetric Response of Retail Milk Prices in the Northeast Revisited” by Daniel A. Lass.

“Supermarket Fluid Milk Pricing Practices in the Western United States” by Hoy F. Carman and Richard J. Sexton.

**Articles**

“Managing Price Cycles in the Champagne Industry” by Francis Declerck.

“The Role of Technical Efficiency in Takeovers: Evidence From the French Cheese Industry, 1985-2000” by Jad Chaaban, Vincent Réquillart, and Audrey Trévisiol.

“Estimation of Price Elasticities From Cross-Sectional Data” by Chanjin Chung, Diansheng Dong, Todd M. Schmit, Harry M. Kaiser, and Brian W. Gould.

Book Review, by Evert Van der Sluis  
*Restructuring Agricultural Cooperatives*, by George W.J. Hendrikse, (Ed.)

**Activity Report****Ronald W. Cotterill**

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

Ron presented a paper at the EARIE 32<sup>nd</sup> Conference in Porto, Portugal, from September 1-4, 2005 titled, “Vertical Relationship in the Ready-to-Eat Cereal Market in Boston” by Cotterill, Lopez and Chidmi.

Ron traveled to Colorado on September 27-29, 2005 and delivered a keynote address at the USDA Milk Market Administrator Annual Conference in Colorado Springs. The title was, “Determinants of Retail Fluid Milk Prices: Channel Pricing Power Games.”

Ron was selected as the recipient of the 2005 University of Connecticut Alumni Association Faculty Excellence Award in Research (Humanities). This award recognizes excellence in scholarly research.

Ron was on sabbatic leave during the Fall 2005 semester. He visited Yale University and served as expert economist in a class action law suit on behalf of all direct purchasers (including supermarkets) of Del Monte Gold pineapples. Del Monte is alleged to have monopolized the whole fresh pineapple market.

**Julie Caswell**

(*Ag. Econ. University of Massachusetts*)

Julie Caswell presented the 2<sup>nd</sup> Annual Kenneth R. Farrell Distinguished Public Policy Lecture at the Ontario Agricultural College, University of Guelph on December 5, 2005. The lecture was titled: *Globalization & Agriculture: The Impact of Food Quality and Safety Concerns*.

Julie Caswell attended a meeting of the Food Forum on *Controlling the Risks from Food Allergens* on July 8, 2005 in Washington, DC. She also participated in a panel discussion at the Food Forum meeting on *Challenges in Managing Food-Derived*

*Risks* held in Washington, D.C. on December 13, 2005.

### **Robert J. Johnston**

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

Robert Johnston and Cathy Roheim (University of Rhode Island) presented the paper, “A Battle of Taste and Environmental Convictions for Ecolabeled Seafood: A Choice Experiment,” at the annual meetings of American Agricultural Economics Association in Providence, Rhode Island, July 24-27. The same paper has been returned to *Journal of Agricultural and Resource Economics* for a second-round review.

Three focus groups were conducted during July and August 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.

Johnston also attended a workshop in Galway, Ireland from July 6-9 to establish the aquaculture biotechnology initiative between Connecticut Sea Grant, the University of Connecticut, and the Martin Ryan Institute at the National University of Ireland. A proposal to fund future work with the initiative has been submitted to USDA with Bob Pomeroy (Ag. Econ, University of Connecticut) and Tessa Getchis (Connecticut Sea Grant).

### **Nathalie Lavoie**

(*Ag. Econ. University of Massachusetts*)

Nathalie Lavoie is on leave from the University of Massachusetts.

### **Rigoberto Lopez**

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

Rigoberto Lopez presented two invited papers (one on vertical relations in breakfast cereals and the other on oligopoly-efficiency tradeoff in food processing) at the XVII International Conference on Political Economy in Vicosa, Brazil in October 2005. In addition, two others papers were presented at the

American Agricultural Economics Association in Providence, Rhode Island in July 2005, one on discrete choice demand (with Chidmi and Cotterill) and the other on farm household efficiency in Colombia (with Maria Gonzalez). A different version of the latter was presented at the IX European Workshop on Productivity and Efficiency Analysis in Brussels, Belgium in July 2005.

Rigoberto was an invited speaker at the Leaders’ Forum, College of Agriculture and Natural Resources, University of Connecticut, November 9, 2005. His topic was, “Community Food Security in Connecticut: A Town by Town Assessment.” He also taught a one-week workshop on supply of agricultural products at the CIHEAM Masters program in agro-marketing in October 2005, Zaragoza, Spain.

### **Christian Rojas**

(*Visiting Assistant Professor of Economics, University of Texas, Dallas*)

Christian Rojas recently moved from V.P.I. to UT-Dallas on a visiting position. He is currently working on two projects emerging from the IRI beer data as a FMPC research fellow. The first is analyzing the effects of vertical restraints (territorial exclusives – mandated or not- and exclusive dealing arrangements i.e., franchises) on brand level prices and welfare, and the second is analyzing the magnitude of the tax pass-through rate at the brand level as a consequence of the 100% excise tax increase.

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## **Data Corner**

### **Recent acquisitions include:**

Trade Dimensions *Market Scope. The Desktop Guide to Supermarket Share* 2006.

Trade Dimensions *High-Volume Retailers—The Alternate Channel Sourcebook*, 2006 (formerly the *Directory of Mass Merchandisers*).

The Food Marketing Policy Center has extensive holdings of Competitive Media Reporting, Leading National Advertisers, national advertising data, 1987-2004. 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.

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## **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>.

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## **Recent Papers and Publications**

Asante, Nana Yaw. "Flat Retail Milk Prices in New York and New England." M.S. Thesis. May 2005.

Bhuyan, S. and R.A. Lopez. "Oligopoly Power and Allocative Efficiency in U.S. Food Processing and Tobacco Industries." In *New Empirical Industrial Organization and the Food System*, Harry Kaiser and Nobuhiro Suzuki, eds. New York: Peter Lang Publishing, 2006. Forthcoming.

Caswell Caswell, Julie A. 2006. Food Safety. In *Globalization: The Encyclopedia of Trade, Labor, and Politics*, ed. Ashish K. Vaidya, pp. 764-771. Santa Barbara, CA: ABC-CLIO, Inc.

Prioritizing Opportunities to Reduce the Risk of Foodborne Illnesses: A Conceptual Framework. Final Framework Paper for the Food Safety Research Consortium Project on *Prioritizing Opportunities to Reduce Foodborne Disease*. December 2005. Discussion Paper Series Number 3. Jointly authored by Consortium members Helen Jensen, Julie A. Caswell, Michael Doyle, Jerry Gillespie, J. Glenn Morris, Michael Taylor, Michael Batz, Ewen Todd, James Dickson, Catherine Woteki, John Galland, Sandra Hoffman, and Alan Krupnick.

[http://www.card.iastate.edu/food\\_safety/national\\_conference/FSRC\\_Conceptual\\_Framework\\_final.pdf](http://www.card.iastate.edu/food_safety/national_conference/FSRC_Conceptual_Framework_final.pdf)

Chidmi, B., R.A. Lopez, and R.W. Cotterill. "Manufacturers-Retailers Relations with an Application to Breakfast Cereals." In *Advances in Competition and Market Power in Agribusiness*, M.J. Braga, D.R.D. Aguiar and E. Cardoso-Teixeira, eds. Vicosá (MG), Brazil, October 2005.



Chidmi, Benaissa, Rigoberto A. Lopez, and Ronald W. Cotterill. "Dairy Compact, Market Power, and Milk Prices in Boston." *Agribusiness: An International Journal*: 21 (Fall 2005): 475-491.

Cotterill, Ronald W. "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. In Hearing to Amend Certain Provisions of the Mideast Federal Milk Marketing Order (FMO33), March 7-10, 2005, Wooster, Ohio. Food Marketing Policy Center Research Report No. 89.

Cotterill, Ronald W., and William P. Putsis, "Market Share and Price Setting Behavior for Private Labels and National Brands," In *New Empirical Industrial Organization and the Food System*, Harry Kaiser and Nobuhiro Suzuki, eds. New York: Peter Lang Publishing, 2006. Forthcoming.

Druckute, Inga. "Effects of Assumed Behavior Model on Simulated Post-merger Equilibrium in Differentiated Product Markets." M.S. paper. April 2005.

Hulbert, Jason P., "A Dynamic Model of Multiproduct Firms: Advertising and Product Menu Choice in the Ready to Eat Cereal Industry," Ph.D. dissertation, expected completion Spring 2006.

Lopez, Rigoberto A. and Xenia Matskche. "Food Protection for Sale." *Review of International Economics*, 14(2006): forthcoming.

Lopez, R.A. "Oligopoly-Efficiency Tradeoff in U.S. Food Processing." In *Advances in Competition and Market Power in Agribusiness*, M.J. Braga, D.R.D. Aguiar and E. Cardoso-Teixeira, eds. Vicosá (MG), Brazil, October 2005.

Lopez, R.A., J. Martin, S. Tchumtchoua, and L. Drake. *Community Food Security in Connecticut: Evaluation and Ranking of 169 Towns*. Storrs, University of Connecticut, September 2005. 2000 brochure copies printed and to be distributed (available from [www.fmpc.uconn.edu](http://www.fmpc.uconn.edu)).

Maldonado Simán, Ema, Pedro Arturo Martínez Hernández, Spencer J. Henson, Julie A. Caswell, José Artemio Cadena Meneses, and Fernando Copado Bueno. 2005. *Costos y Beneficios Asociados a Implementación de Los Controles de Inocuidad y Calidad Alimentaria: HACCP e ISO 9000 en Los Mataderos Mexicanos*. *La Revista Científica Veterinaria* 25(4):353-360.

Rennhoff, Adam D. "Paying for Shelf Space: An Investigation of Merchandising Allowances in the Grocery Industry." Drexel University, Philadelphia, PA. October 2004. Food Marketing Policy Center Research Report No. 84.

Rojas, Christian. "Market Power and Price Competition in U.S. Brewing," November 2005. Food Marketing Policy Center Res. Report No. 91.

Rojas, Christian and Everett B. Peterson. "Estimating Demand for Differentiated Products: The Case of Beer in the U.S." October 2005. Food Marketing Policy Center Research Report No. 90.

Rojas, Christian, "Demand Estimation with Differentiated Products: An Application to Price Competition in U.S. Brewing." Ph.D. Dissertation, Virginia Tech, September 2005.

Singerman, Ariel. "New Product Introduction Analysis in the R-T-E Breakfast Cereal Industry." M.S. thesis, UConn, May 2005.

Souza-Monteiro, Diogo and Julie A. Caswell. *The Economics of Traceability for Multi-Ingredient Products: A Network Approach*. Paper presented at the annual meeting of the American Agricultural Economics Association, Providence, Rhode Island, July 2005. Selected Paper 135805 listed on <http://agecon.lib.umn.edu/>.

Sparling, David and Julie A. Caswell. *Integrating NAFTA Animal Health Regulation: A Case Study Analysis*. Invited paper presented at the International Conference on Sanitary and Phytosanitary (SPS) Risk Assessment Methodology: Optimization of SPS Regulatory

Tool-Box.” Sponsored by Tuskegee University, United States Department of Agriculture, and the Society for Risk Analysis, Washington, DC, August 2005.

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