



FOOD MARKETING POLICY CENTER

NEWSLETTER

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

Newsletter Editorial: Global Reach

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 and agribusiness firms, primarily in the U.S. but also in other countries, public agencies in the U.S. and other countries, state legislatures, and the U.S. Congress.

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Turkish Competition Commission, Ankara, December 2007.

Left to right–front row: Professor Ronald W. Cotterill, University of Connecticut; Professor Nurettin Kaldirimci, President, Turkish Competition Commission. Back row: Hakan Sabuncu, Manager, Training Unit, Competition Commission; Ekrem Kalkan, Economist, Competition Commission; Fevzi Ozkan, Head, Administrative and Finance Department, Competition Commission; Alper Fevzi Kara, Economist, Competition Commission; Professor Hassan Voral, Uludag University; the translator.

by Ronald W. Cotterill

Fall 2007 found the Food Marketing Policy Center active literally around the world. I completed a major report for the UK Competition Commission that critiqued reports completed for Tesco, the leading UK supermarket chain, by Professor Jerry Hausman, MIT; Professor Ronald Smith, University of London and a third leading industrial organization professor who withdrew his name from his own report and my references to it in response to my work. The issue was defining local markets and

measuring market power of supermarkets in them. Professor Margaret Slade, Warwick University, also addressed the same issues for the UK Professor Margaret Slade, Warwick University, also addressed the same issues for the UK Competition Commission (go to <http://www.competition-commission.org.uk/inquiries/ref2006/grocery/> and for the three Tesco expert reports, click “Main party submissions”).

Then in New Zealand I teamed up with Hausman and Chip Bamberger, Lexicon Chicago, to present analysis for the government that sought to stop either of the two supermarket chains that sell virtually all groceries in New Zealand from acquiring the leading mass merchandise department store (50% SOM) who recently entered food retailing by opening three supercenters. The government lost because the entrant realized that the merge premium offered by the leading chain, Woolworths, was sweeter than the returns it would earn by building more stores and injecting competition into grocery markets. The court followed their logic when it ruled that the likelihood of successful entry on a large scale was low. This is an unfortunate ruling for consumers because it implicitly recognizes the dominance of the two supermarket chains and the strategic barriers to entry that they can focus upon entrants (and did focus on this entrant). One newspaper estimated that Woolworths is paying a \$200 million dollar premium to keep a third major supermarket chain out of New Zealand.

After these major forays into antitrust policy on opposite sides of the world, I traveled to Turkey in December to visit my daughter who is teaching English at Bilkent University, Ankara. The Turkish Competition Commission is located next to Bilkent in suburban Ankara. They invited me to present a seminar and advise them on a major merger. Carrefour, the leading supermarket chain is acquiring the second largest chain; however, their combined national market share is less than 20% of grocery sales. I also was invited by a very lively think tank, the Ankara Center for Research and Thought, to present a more wide ranging lecture on

the political economy of capital markets and antitrust.

The above picture, taken in the President of the Competition Commissioner’s office, captures the warm hospitality and serious interest in antitrust economics in Turkey. It also captures our link with research in Turkey. Professor Hasan Voral, Department of Agricultural Economics, Uludag University, works with Professor and Chairman Erkan Rehber, who spent a Fulbright year with us in Storrs and Lecturer, Basak Canan Ozbag, MS UConn 2002. Mr. Ekrem Kalkan, Commission economist, is applying to do advanced graduate work at the Food Marketing Policy Center at the University of Connecticut.

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Cooperating Research Personnel at Other Universities

Sven Anders, Assistant Professor (Agricultural Economics) University of Alberta, Edmonton, Alberta, Canada. sven.anders@ualberta.ca

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Food Marketing Policy Center Graduate Assistantships Available, Fall 2008

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

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Recent Graduates

Alessandro Bonnano, Ph.D., University of Connecticut, August 21, 2007.

Rebecca Cleary, M.S. Thesis, University of Connecticut, August 21, 2007.

Wenji Lu, M.S. by exam, University of Connecticut, December 16, 2007.

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Personnel Changes

Rui Huang, who is completing her Ph.D. in industrial organization, food marketing and econometrics in the Department of Agricultural and Resource Economics, University of California-Berkeley will join us in the Fall as Assistant Professor.

Dr. Alessandro Bonanno has been hired for one year as an assistant professor-in-residence and will be working with the Food Marketing Policy Center during the 2007-08 academic year on food marketing issues.

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Position Announcement **Food Marketing Policy Center** ***University of Massachusetts Amherst*** ***Post-Doctoral Research Associate***

The Department of Resource Economics (<http://www.umass.edu/resec/>) at the University of Massachusetts Amherst invites applications for a two-year post-doctoral research position with the Food Marketing Policy Center (<http://www.fmpc.uconn.edu>) to work with faculty members and independently on projects examining buyer market power, product differentiation, and other industrial organization topics at various levels of the food supply chain. Ph.D. in area of agricultural economics, economics, or related field required. Strong empirical and theoretical orientation and experience with new empirical industrial organization modeling are required. Background in bargaining theory and international trade issues desirable. Specialties desired are Industrial Organization, Microeconomic Theory, or Applied Econometrics. Salary is competitive and based on qualifications. This position is grant funded.

Review of applications will begin on March 3, 2008. The search will continue until the position is filled. Please send a letter of application, curriculum vitae, writing samples, a copy of

graduate transcripts, and three letters of recommendation to:

Nathalie Lavoie
<http://www.umass.edu/resec/faculty/lavoie/index.html>
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The University provides an intellectual environment committed to providing academic excellence and diversity including mentoring programs for faculty. The College and the Department are committed to increasing the diversity of the faculty, student body and the curriculum. The University of Massachusetts is an Affirmative Action/Equal Opportunity Employer. Women and members of minority groups are encouraged to apply.

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Visiting Scholar

Dr. Elena Lopez, Department of Economics, University of Alcalá de Henares, Spain, worked as a research scholar with Xenia Matschke and Rigoberto Lopez on international trade issues from October 22 to December 22, 2007.

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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. 3 and 4, 2007 are as follows:

***Agribusiness* 23(3) Summer 2007**

Articles

“Food Pricing, Competition, and the Emerging Supercenter Format” by Kyle W. Stiegert and Todd Sharkey.

“Alternative Approaches in Detecting Asymmetry in Farm-Retail Price Transmission of Fluid Milk” by Oral Capps, Jr. and Pablo Sherwell.

“Beef Safety Shocks and Dynamics of Vertical Price Adjustment: The Case of BSE Discovery in the U.S. Beef Sector” by Sayed H. Saghaian.

“Testing for Market Power in the Australian Grains and Oilseeds Industries” by Christopher J. O’Donnell, Garry R. Griffith, John J. Nightingale, and Roley R. Piggott.

“Large Mergers and Acquisitions of European Brewing Groups—Event Study Evidence on Value Creation” by Oliver Ebneht and Ludwig Theuvsen.

“Nonhomogeneous Products and the Law of One Price” by Thomas H. Spreen, Richard L. Kilmer, and Carlos R. Pitta.

“Obesity and Low-Carb Diets in the United States: A Herd Behavior Model” by Dragan Miljkovic and Daniel Mostad.

“The Economic Nature of Network Capital in B2B Transactions” by Paul N. Wilson.

Book Review, by Edmund M. Tavernier.

NAFTA Revisited: Achievements and Challenges, by Gary Clyde Hufbauer and Jeffrey J. Schott (assisted by Paul L.E. Grieco and Yee Yong).

***Agribusiness* 23(4) Autumn 2007**

Articles

“The Impact of Cooperatives’ Risk Aversion and Equity Capital Constraints on their Inter-firm Consolidation and Collaboration Strategies—With

an Empirical Study of the European Dairy Industry” by Dirk van der Krogt, Jerker Nilsson, and Viggo Høst.

“Assessing the competitiveness Situation of EU Food and Drink Manufacturing Industries: An Index-Based Approach” by Christian Fischer and Sebastian Schornberg.

“Analysis of the Demand for Imported Meat in Switzerland Using a Dynamic Specification: Implications for the European Union” by Shiferaw T. Feleke and Richard L. Kilmer.

“Household Vegetable Demand in the Philippines: Is There an Urban-Rural Divide?” by Maria Erlinda M. Mutuc, Suwen Pan, and Roderick M. Reyes.

“Food Consumption and Demographics in Japan: Implications for an Aging Population” by Mauricio V.L. Bittencourt, Ratapol P. Teratanavat, and Wen S. Chern.

“The Market Potential for Gift Baskets of Hawaiian Food Products in China” by Wuyang Hu, Linda J. Cox, and Quincy A. Edwards.

“Potential Market Segments for Genetically Modified Food: Results From Cluster Analysis” by William Kaye-Blake, Anna O’Connell, and Charles Lamb.

“Economic Evaluation of Shelf-Space Management in Grocery Stores” by Chanjin Chung, Todd M. Schmit, Diansheng Dong, and Harry M. Kaiser.

Book Review, by Samarendu Mohanty

International Trade and Agriculture, edited by Won W. Koo and P. Lynn Kennedy.

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Activity Report

Ronald W. Cotterill

(Ag. Econ., University of Connecticut)

Ron assisted Howrey and Simon LLC, and several dairy farmers and cooperatives in the Southeast US in their development and filing of monopsony milk pricing complaints against Dean Foods and Dairy Farmers of America.

Ron served as economic expert for the United Kingdom Competition Commission in their inquiry into the pricing practices of UK grocery chains. His report on defining antitrust markets and measuring market power is available at http://www.competition-commission.org.uk/inquiries/ref2006/grocery/pdf/expert_report_md_and_mp.pdf and also on the FMPC website.

Ron was an invited seminar speaker at the University of Connecticut Economics Department, on October 16, 2007 and gave a presentation on “Using Panel Data on Food Purchases, Census data, and GIS to Analyze Competition among Food Retailers.”

Ron traveled to Wellington, New Zealand from October 24 to November 1, 2007 to testify for the New Zealand Commerce Commission in a major food retailing merger. Other economic experts for the government were Professor Jerry Hausman, MIT, and Dr. Chip Bamberger, Lexecon, Chicago.

Ron traveled to Ankara, Turkey from November 29 to December 10, 2007 to work with the Turkish Competition Commission and present a seminar titled, “Market Definition and Measurement of Market Power in the Grocery Industry: International Convergence in Theory if not Practice.” He also presented a paper to the Ankara Center for Research and Thought titled, “The Evolution of the Political Economic Foundations of Competition Policy.”

Ron served as expert witness in Camden, New Jersey federal court in a landlord and consumer challenge to a horizontal merger where the acquirer

shut down a competing supermarket and refused to allow the landlord to lease the premises to another supermarket, in Cape May, New Jersey, October 2007.

Ron and Adam N. Rabinowitz presented a poster on October 7, 2007 at the University of Connecticut College of Agriculture and Natural Resources annual Cornucopia Fest entitled, “Farm Level, Wholesale and Retail Prices in the Fluid Milk Marketing Channel: How the consumer milk dollar is split among the milk channel players (farmers, processors, and retailers) and how that relates to their respective costs.”

Ron continues to work with Michael Cohen (Ph.D. student) on private label pricing, Sylvie Tchumtchoua (Ph.D. student) on dynamic oligopoly models of pricing and advertising, Inga Druckute (Ph.D. student) on static and dynamic discrete choice models to evaluate horizontal manufacturer level mergers when the channel conduct of retailers is incorporated, and Adam N. Rabinowitz (Ph.D. student) on the impact of crime on supermarket location and urban access to supermarkets.

Julie Caswell

(*Ag. Econ. University of Massachusetts*)

Julie Caswell was a guest on Ideas Network with Kathleen Dunn, Wisconsin Public Radio on July 20, 2007 discussing establishment of the White House Interagency Working Group on Import Safety, recent food safety events, and the food import inspection system.

Nathalie Lavoie

(*Ag. Econ. University of Massachusetts*)

Grant Awarded: “Incorporating Buyer Market Power and Product Differentiation in the Food Supply Chain,” by Nathalie Lavoie (P.I.), Christian Rojas, Dan Lass, Julie Caswell. Grant proposal and award under the National Research Initiative Competitive Grants Program of the USDA. Grant award period: 1/1/08 to 12/31/09. Award \$168,789 (indirect costs: \$33,758).

Rigoberto Lopez

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

Alessandro Bonanno (then Ph.D. student) presented a selected paper co-authored with Rigoberto Lopez entitled, “Retail Services and Food Prices: A Structural Analysis” at the American Agricultural Economics Association meetings, July 29-August 1, 2007 in Portland, Oregon.

Rebecca Cleary (M.S. student) presented a poster entitled, “The Impact of Wal-Mart on Market conduct: A Case Study of the Dallas/Fort Worth Milk Market” (co-authored by R. Lopez) at the 2007 American Agricultural Economics Association meetings and on October 7, 2007 at the University of Connecticut College of Agriculture and Natural Resources annual Cornucopia Fest.

Rigoberto served as an instructor in a course on “Global Agribusiness Strategies,” offered to a group of trainees from Nicaragua, September 26, 2007.

Rigoberto continues to work with Xenia Matschke (assistant professor, Economics at UConn) on trade issues related to beer, with Benaissa Chidmi (assistant professor, Texas Tech) on breakfast cereals, with Kristen Fantuzzi (Ph.D. student) on soft drink consumption, with Alessandro Bonanno on Wal-Mart Food Retailing, and with Elena Lopez on demand for specialty milk.

Christian Rojas

(*Ag. Econ. University of Massachusetts*)

Christian Rojas and Tianji Shi have completed a paper entitled, “Tax Incidence When Quality Matters: Evidence from the Beer Market.”

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Data Corner

Recent acquisitions include:

Trade Dimensions, *Market Scope. The Desktop Guide to Supermarket Share 2008.*

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.

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

Private Label, The Magazine for the Brands. 1993-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

Our publications are available on our web site <http://www.fmpc.uconn.edu>. If you are unable to find a publication online call (860) 486-1927 or write for a copy.

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Recent Papers and Publications

Anders, Sven M. and Julie A. Caswell. "Do Geographical Indications Advantage North-North

Trade over South-North Trade?" Selected paper presented at the International Workshop on "The Law and Economics of Geographical Indications." University of Giessen, Germany, September 2007.

Bonanno, Alessandro. 2007. "Economics of Emerging Retail Formats: Wal-Mart, Wages, and Service Competition." Ph.D. Dissertation, University of Connecticut, August.

Bonanno, Alessandro and Rigoberto A. Lopez. "Retail Services and Food Prices: A Structural Approach." Selected paper at the American Agricultural Economics Association Annual Meeting, Portland, Oregon, July 29 to August 1, 2007.

Bonanno, Alessandro and Rigoberto A. Lopez. "Competition Effects of Supermarket Services." University of Connecticut, Food Marketing Policy Center, Research Report No. 94, updated November 2007. Available from <http://www.fmpc.uconn.edu/publications/rr/rr94.pdf>

Cleary, Rebecca. "Wal-Mart's Effect on Supermarket Milk Prices." Food Marketing Policy Center Research Report No. 101. December 2007.

Chidmi, Benaissa and Rigoberto A. Lopez. "The Role of Retail Services in Food Market Equilibrium." In *Innovation and Systems Dynamics in Food Networks*, M. Fritz, U. Rickert and G. Schiefer, eds., proceedings of the 1st International European Forum on Innovation and Systems Dynamics in Food Networks, February 15-17, 2007, Innsbruck-Igls, Austria. Volume I.

Cotterill, Ronald W. "Market Definition and Market Power in the British Supermarket Industry." Available on www.competition-commission.org.uk and also as University of Connecticut, Food Marketing Policy Center Research Report No. 98, October 2007.

Cotterill, Ronald W. Ankara, Turkey. "The Evolution of the Political Economic Foundations of

Competition Policy, Presented at the Ankara Center for Research and Thought, Ankara, Turkey.” Food Marketing Policy Center Issue Paper No. 52. December 2007.

Cotterill, Ronald W. “Agribusiness.” In *International Encyclopedia of the Social Sciences*, 2nd edition, 9 vols, page 58. Edited by William A. Darity, Jr. Detroit: Macmillan Reference USA, 2007.

Dolan, Megan M. and Julie A. Caswell. “The Impact of the Organic Mainstream Movement: A Case Study of New England Organic Produce Prices.” Selected paper presented at the annual meeting of the Northeastern Agricultural and Resource Economics Association, Rehoboth Beach, Delaware, June 2007.

Goldfarb, Avi, Qiang Lu, and Sridhar Moorthy. “Measuring Brand Value in an Equilibrium Framework. *Marketing Science*, forthcoming.

Henson, Spencer J., Julie A. Caswell, John A.L. Cranfield, Aamir Frazil, Valerie J. Davidson, Sven M. Anders, and Claudia Schmidt. 2007. “A Multi-Factorial Risk Prioritization Framework for Food-Borne Pathogens.” Working Paper 2007-8. Department of Resource Economics, University of Massachusetts Amherst. Available at <http://courses.umass.edu/resec/workingpapers/documents/ResEcWorkingPaper2007-8.pdf>.

Huang, Dongling; Christian Rojas and Frank Bass. “What Happens when Demand is Estimated with a Misspecified Model?” *Journal of Industrial Economics*, forthcoming.

McEvoy, D. M., S. Brandt, N. Lavoie, and S. Anders. “The Effects of ITQ Management on Fishermen’s Welfare When the Processing Sector is Imperfectly Competitive. “Resubmitted to *Land Economics*.

Rojas, Christian, Alexandra Andino and Wayne D. Purcell. 2007. “Retailers’ Response to Wholesale Price Changes: New Evidence from Scanner-Based

Quantity-Weighted Beef Prices.” *Agribusiness: An International Journal*, 24(1) 1-15.

Todd, Ewen and Julie A. Caswell. In Press. “Role of Programs Designed to Improve the Microbiological Safety of Imported Food. In *Safety of Imported Foods: Microbiological Issues and Challenges*, ed. Michael P. Doyle and Marilyn C. Erickson. Washington, DC: ASM Press.

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