



FOOD MARKETING POLICY CENTER

NEWSLETTER

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

Rebecca Cleary Wins the Northeast and National Master Thesis Outstanding Research Awards

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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Otto Doering III, President of AAEA, presents Rebecca Cleary the Outstanding MS Thesis Award at the Orlando, Florida AAEA meeting, July 28, 2008.

Food Marketing Policy Center student, Rebecca Cleary (B.S. Agricultural and Resource Economics, UConn 2005) Master's thesis, "The Impact of Wal-Mart Supercenters on Incumbents' Pricing Conduct: The Case of the Dallas Fort/Worth Milk Market" was selected as the top thesis in the Northeast by the Northeast Agricultural and Resource Economics Association, and in the United States by the American Agricultural Economics Association. FMPC faculty professor, Rigoberto Lopez, was her major advisor. She also won the Food Distribution Research Society's 2008 William Applebaum Memorial Scholarship Award.

Rebecca used the FMPC's unique chain level scanner data for milk products to analyze a milk price war in Dallas/Fort Worth. The Dallas/Fort Worth milk price war was common knowledge, but no one knew why leading chains such as Kroger were selling milk for as low as 89 cents a gallon, far below the cost of such milk to Kroger.

Rebecca discovered that price war was a response to Wal-Mart's entry and expansion in Dallas/Fort Worth. Her econometric model scientifically documented the link confirming her discovery. Rebecca is now pursuing a Ph.D. in food marketing and industrial organization in the Agricultural Economics Department, University of Wisconsin-Madison.

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Policy Center Impact:

FMPC Aids New Zealand Commerce Commission in its Successful Challenge of a Three to Two Merger in the NZ Grocery Industry

Only two grocery companies, Woolworths and Foodstuffs, a retailer cooperative, control over 95% of the retail food market in New Zealand. The Warehouse, a mass merchandiser with 50% of the department store market in New Zealand decided to enter food retailing and opened three supercenters. Each of the incumbents launched hostile takeover actions to preserve their duopoly. The NZ Commerce Commission challenged both mergers arguing that either would reduce competition and damage consumers. Ronald W. Cotterill, Director of the FMPC, studied the industry and testified at trial. He found that the addition of Warehouse Extra supercenters to NZ food markets lowers prices and offers a unique new combination of price, quality, product selection, and service. He provided supporting evidence on these points from the business record. The Commerce Commission also relied upon MIT Professor Jerry Hausman's

analysis of the ex post price impacts of an earlier 2002 merger in New Zealand that reduced the number of supermarket firms from three to two.

This decision is a very major addition to the global antitrust record. In nearly all countries antitrust agencies and courts are facing three to two mergers. Empirical analysis of the actual industry conduct in such situations is essential.

Policy Center News:

Professor Kathleen Segerson is Honored as a Fellow of the American Agricultural Economics Association



Kathleen Segerson, Professor of Economics with a joint appointment in Agricultural and Resource Economics (ARE) at UConn, was recognized as a 2008 AAEA Fellow in Orlando, Florida on July 28, 2008. She was escorted by Rigoberto Lopez, Department Head of ARE. Kathy is also this year's President of the Association of Environmental and Resource Economists.

Kathleen Segerson, Professor of Economics and Agricultural and Resource Economics at the University of Connecticut for 22 years, was selected a Fellow in 2008. Kathy's primary research focus is resource economics; however, her wide ranging area of expertise has overlapped with FMPC research interests. The FMPC has supported her research on mandatory versus voluntary approaches to food safety with Ph.D. students and other faculty. Kathy's work in this area was innovative and opened new approaches to food safety issues.

Policy Center Impact:**FMPC Aids Puerto Rican Dairy Industry in its Federal Court Mandated Reform of its Milk Pricing Regulations**

Milk prices in Puerto Rico have been regulated at the farm, wholesale, and retail level since 1957 to promote the development of an indigenous dairy farm sector and consumption of fresh fluid milk. Recently, a federal judge found merit in the two fresh milk processors' claims that the regulatory process had little economic basis and that it favored a government/farmer controlled UHT milk processor at the expense of the fresh processors and the fresh milk market. FMPC Professor Cotterill and Ph.D. students Adam Rabinowitz and Michael Cohen estimated the supply of milk and the demand for fresh and UHT milk in Puerto Rico. Others measured processing costs. These results enabled Professor Cotterill to develop pricing recommendations in April and again in July due to rapid price increases for feed and fuel. The milk regulatory agency implemented retail fresh milk price increases from \$1.21 per quart to \$1.32 in April and to \$1.40 in July. Retail UHT prices increased from \$1.35 to \$1.46 and \$1.80. Farm prices and processor margins increased in a commensurate fashion to cover increased costs. Going forward, the agency will use this economic method to set future prices.

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Policy Center to Embark on Expanded Research Thrust on Economics of Obesity in Cooperation with the Rudd Center for Food Policy and Obesity, Yale University

Using its Congressional funding, the FMPC is purchasing a very large complex advertising data base from A.C. Nielsen and merging it with similar sales data from IRI to analyze the impact of brand level advertising in local markets on children as well as adults for the following food categories:

RET cereal, soft drinks, potato and taco chips, and candy. Economist, Tatiana Andreyeva, and psychologist, Jennifer Harris, from the Rudd Center at Yale will cooperate with Michael Cohen, Ronald W. Cotterill and others at UConn to complete a comprehensive analysis of consumption of products that contribute to obesity. One unique outcome from this project will be to compare and evaluate the relative importance of advertising to children on consumption of products in these four categories. Prior studies have focused on a single product category or all food consumed.

**Newsletter Editorial:
Connecting the Dots**

by Ronald W. Cotterill

The implosion of financial markets and the explosion of commodity markets are connected in a fashion that evokes the gold currency theory that Cornell Agricultural Economist, George Warren, advanced to F.D. Roosevelt in the depths of the Great Depression – 1933. More recently, Professor Robert Thompson at Purdue in the 1970's went the other way on the same street to introduce macroeconomics to commodity analysis by explaining that the drop in the exchange value of the dollar drops the price of dollar denominated commodities in other currency areas and thus increases the demand for such commodities.

More fundamentally this economic storm is rooted in the deregulation of capital markets, and an excessive reliance on the market for corporate control. Mergers and acquisitions and leveraged recapitalizations have primarily been regarded as vehicles for “good” management to replace “bad” management. Instead, we have experienced the development of complex securities that are now called “toxic securities.”

Here are three examples of slick finance. Dean Foods did a leveraged recapitalization that paid a one time \$15 on time dividend to shareholders. Top management extracted billions from the tightly held

but public company. Today, Dean's stock is trading at 50% of the ex-dividend market value.

Steven Schwartzman took his Blackstone hedge fund public in early 2007 with a profit of billions for him and his close partners. Today, that stock is trading at less than half what the public paid.

A hedge fund operator recently paid \$50 million for an East Hampton estate on Long Island. He made 2.5 billion earlier this year shorting Bear Stearns stock and debt securities.

Connect the dots. The shift to laissez-faire "free" markets that started with Ronald Reagan's presidency may have gone too far. New economic regulation of securities markets and antitrust reform that promotes stable, effectively competitive markets is now justified.

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Recent Graduate: Alessandro Bonanno to Penn State

Dr. Alessandro Bonanno has completed his one year appointment as an assistant professor-in-residence at the Food Marketing Policy Center and has taken a position as assistant professor at Penn State University in the Department of Agricultural Economics and Rural Sociology. He will continue to collaborate with the Food Marketing Policy Center staff on food marketing issues.

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Recent Graduate: Kristen Fantuzzi Completes Dissertation on Economics of Obesity

Kristen Fantuzzi, Ph.D., University of Connecticut, May 1, 2008, is working on publications and seeking employment in the private sector.

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Ph.D. Student, Michael Cohen, Attends Yale University: Spring 2008

Michael Cohen attended the Ph.D. seminar in Industrial Organization. As a student in the class he developed his Ph.D. prospectus on the economics of obesity. Michael also attended all of the Industrial Organization seminars at Yale during the spring semester.

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Personnel Changes

Effective August 23, 2008, Dr. Rigoberto A. Lopez will become Professor and Head, Department of Agricultural and Resource Economics, College of Agricultural and Natural Resources, University of Connecticut. Dr. Lopez was selected to be the next Head after a national search that considered several potential candidates.

Rui Huang, Ph.D., University of California-Berkeley 2008, will join the Department of Agricultural and Resource Economics and the Food Marketing Policy Center as an assistant professor in August 2008.

Food Marketing Policy Center Staff and Researchers—UConn and UMass

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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

Benaissa Chidmi, Assistant Professor (Agricultural and Applied Economics) Texas Tech University, Lubbock, Texas. Benaissa.chidmi@ttu.edu

Avi Goldfarb, Assistant Professor (Marketing), University of Toronto School of Business, Canada. agoldfarb@rotman.utoronto.ca

Jason P. Hulbert, Ph.D. student, Dept. of Economics, University of Virginia, Charlottesville. jph5t@virginia.edu

Wei Xiao, Ph.D. student, Dept. of Economics, The Johns Hopkins University, Baltimore, MD. weixiao@jhu.edu

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Position Announcement

Instructor/Assistant Professor in Residence Department of Agricultural and Resource Economics, University of Connecticut

Eleven-month position with research and teaching responsibilities in empirical industrial organization and food marketing beginning January 20, 2009 or negotiable. Expertise areas include applied microeconomics that focuses on agricultural and food marketing, industrial organization, and empirical demand analysis, develop a highly visible research program within the Food Marketing Policy Center (<http://fmfc.uconn.edu>) and with other colleagues in the department, and teach three courses per year.

Desirable qualifications include a Ph.D. in agricultural and resource economics or economics, excellent training in microeconomic theory and quantitative methods, excellent oral and written communication skills, training in industrial

organization, and/or marketing, college-level teaching experience, and experience with scanner data and estimation of discrete-choice demand models. The application review process just began and will continue until the position is filled. Contact: Dr. Rigoberto Lopez, University of Connecticut, Agricultural & Resource Economics, 1376 Storrs Road, Unit 4021, Storrs, CT 06269-4021 or Rigoberto.Lopez@uconn.edu.

For additional information visit us at <http://www.are.uconn.edu>

The University of Connecticut is an equal opportunity-affirmative action employer.

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

Agribusiness is now using Manuscript Central, the online manuscript submission and peer-review application licensed by Wiley-Blackwell. To submit manuscripts, go to the following web site, log on, and follow the instructions for manuscript submissions: <http://mc.manuscriptcentral.com/agr>

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Activity Report

Ronald W. Cotterill

(Ag. Econ., University of Connecticut)

Ron assisted Kelly Wallace, CBS National News, in May 2008 on a story about milk prices.

In April, Dr. Michelle Lowe from the University of Surrey School of Management, UK, visited Ron and the Food Marketing Policy Center to discuss an upcoming project concerning retail planning policies in the UK.

Sven Anders

(Ag. Econ., University of Alberta) Professor

AFC, Agriculture Funding Consortium, All Foods Affect Health: A Comparative Study of Canadian Meat Purchase Patterns and Consumer Behaviour

for Health Attributes, Sven Anders (PI), May 2008-March 2009, \$151,800.

Alberta Livestock Industry Development Fund (ALIDF): Modified Atmosphere Packaging—Consumer Perceptions and Willingness to Pay—Opportunities for Canada’s Meat Industry (\$52,000). Sven Anders (PI). 2008-2009.

Beef Information Centre (BIC): Modified Atmosphere Packaging—Consumer Perceptions and Willingness to Pay—Opportunities for Canada’s Meat Industry (\$23,000). Sven Anders (P). 2008-2009.

Julie Caswell

(*Ag. Econ. University of Massachusetts*)

Julie Caswell has been awarded a Fulbright Distinguished Lectureship at the University of Tuscia, Viterbo, Italy for April-June, 2009. During her visit, she will teach two complementary graduate courses on relationship between food quality, food safety standards, and economics; initiate research with faculty members; and provide mentoring to graduate students.

Julie Caswell participated with Juliana Ruzante, Valerie Davidson, and John Cranfield in presenting a *Multi-Factorial Risk Prioritization Frameworks for Foodborne Pathogen* to the United States Department of Agriculture—Food Safety and Inspection Service (USDA-FSIS), U.S. Food and Drug Administration—Center for Food Safety and Applied Nutrition (FDA-CFSAN), and United States Department of Agriculture—Animal and Plant Health Inspection Service on June 23 and 24, 2008.

Julie Caswell taught a 1-week seminar on Multinational Case Studies at the International Centre for Advanced Mediterranean Agronomic Studies (CIHEAM), Zaragoza, Spain in April 2008.

Julie Caswell served as an external reader for the Ph.D. dissertation of Elodie Rouviere, University of Montpellier I and MOISA (Market Organization, Institution, and Strategy of Actors), April 2008.

Rigoberto Lopez

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

Kristin Fantuzzi and Rigoberto Lopez presented a paper entitled, “Carbonated Soft Drink Consumption: Implications for Obesity Policy” at the Canadian Agricultural Economics Society/Northeastern Agricultural and Resource Economics Association Joint Conference, June 30-July 1, 2008, Quebec City, Quebec.

Xenia Matschke

(*Economics, University of Connecticut*)

Xenia Matschke was an invited seminar speaker in January 2008 at the University of Paderborn, Germany; and in March 2008 at the University of Virginia, Charlottesville, and presented a paper entitled, “Antidumping Duties Under Asymmetric Cost Information.”

Christian Rojas

(*Ag. Econ. University of Massachusetts*)

Christian Rojas was an invited seminar speaker at Northwestern University (Kellogg) and gave a presentation on “Price Competition in US Brewing.”

Christian Rojas (PI). National Science Foundation: “Competitive and Welfare Effects of Vertical Integration and Vertical Restraints: Empirical Evidence,” 2008-2010 (\$114,000.)

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Data Corner

Recent acquisitions include:

Metro Market Studies, *Discount Store Distribution Analysis and Guide*, 2008.

Metro Market Studies, *Drug Store Distribution Analysis and Guide*, 2008.

Metro Market Studies, *Grocery Distribution Analysis and Guide*, 2008.

Trade Dimensions, *Directory of Convenience Stores*, 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. 2008. "The Benefits and Costs of Proliferation of Geographical

Labelling for Developing Countries. Working Paper 2008-7. Department of Resource Economics, University of Massachusetts Amherst. <http://people.umass.edu/resec/workingpapers/index.shtml>.

Anders, Sven and D. Souza-Monteiro and E. Rouviere. 2008. "Competition and Credibility of Private Third-party Certification in International Food Supply." *Journal of International Food & Agribusiness Marketing* (forthcoming).

Anders, Sven M. 2008. "Measuring Market Power in German Food Retailing." *Atlantic Economic Journal* (forthcoming).

Anders, S. and A. Moeser. 2008. "Assessing the Demand for Value-based Organic Meats in Canada: A Combined Retail and Household Scanner-data Approach". *International Journal of Consumer Studies*, Special Issue: The Consumer and Value-Based Labels (forthcoming).

Anders, S. & C. Grebitus. 2008. "Consumer Attitudes Towards Food and the Environment: An Analytical Literature Review of Environmental Issues that Impact Consumer Choices in Food." Final project report to Agriculture and Agri-Food Canada (AAFC), Market and Industry Services Branch, p. 112.

Anders, S. and D.M. Souza Monteiro. 2008. Objectiveness in the Market for Third-Party Certification: What can we learn from market structure? Selected paper presented at 8th International Conference on Management in Agri-Food Chains and Networks, May 28-30, 2008, Ede, The Netherlands, p. 17.

Bonanno, Alessandro. 2008. "An Empirical Investigation of Wal-Mart's Expansion into Food Retailing" University of Connecticut Food Marketing Policy Center Research Report No. 105.

Bonanno, Alessandro and Rigoberto A. Lopez. "Wal-Mart's Monopsony Power in Local Labor Markets." University of Connecticut, Food

Marketing Policy Center, Research Report No. 103, February 2008. Available from

<http://www.fmpc.uconn.edu/publications/rr/rr103.pdf>

Caswell, Julie A. In Press. Expanding the Focus of Cost-Benefit Analysis for Food Safety: A Multi-Factorial Risk Prioritization Approach. *Innovation—The European Journal of Social Science Research*.

Caswell, Julie A. and Siny Joseph. 2008. Consumer Demand for Quality: Major Determinant for Agricultural and Food Trade in the Future? *Journal of International Agricultural Trade and Development* 4 (1):99-116.

Cleary, Rebecca and Rigoberto A. Lopez. “Is Wal-Mart Good for Competition? Evidence from Milk Prices.” University of Connecticut, Food Marketing Policy Center Research Report No. 101. October 2007.

Cotterill, Ronald W., Adam N. Rabinowitz and Michael Cohen. “Regulation of Milk Prices in Puerto Rico: Economic Analysis of the Industry, Development of a Framework for Price Regulation, and Recommendations for Pricing in April 2008.” FMPC Research Monograph No. 3, April 2008.

Cotterill, Ronald W., Adam N. Rabinowitz and Michael Cohen. “Regulatory Methods and Pricing Practices for the Puerto Rican Dairy Industry.” FMPC Research Monograph No. 4, July 21, 2008.

Dolan, Megan. 2008. “The Impact of the Organic Mainstream Movement: A Case Study of New England Organic Produce Prices”. University of Massachusetts Amherst, M.S. thesis, 99 pages.

Fantuzzi, Kristen. 2008. “Carbonated Soft Drink Consumption: Implications for Obesity Policy.” Ph.D. dissertation, University of Connecticut, May. Grebitus, C., H.H. Jensen, J.G. Sebranek. S. Anders, & J. Roosen. 2008. Consumer Response to Modified Atmosphere Packaging with Carbon Monoxide. Poster presentation, Gainesville, Florida.

Kim, Donghun. 2008. “Demand and Pricing in the U.S. Margarine Industry.” *Journal of Agricultural & Food Industrial Organization*, Vol. 6(1), Article 1.

Kim, Donghun and Ronald W. Cotterill. “Cost Pass-Through in Differentiated Product Markets: The Case of U.S. Processed Cheese.” *The Journal of Industrial Economics*, Vol LVI (1) March 2008, pp. 32-48.

Lopez, Elena and Rigoberto A. Lopez. “Demand for Differentiated Milk Products: Implications for Price Competition.” University of Connecticut, Food Marketing Policy Center, Research Report 104, April 2008. Available at <http://www.fmpc.uconn.edu/publications/rr/rr104.pdf>

Lopez, Rigoberto A. 2008. “Does ‘Protection for Sale’ Apply to the U.S. Food Industries?” *Journal of Agricultural Economics*, Vol. 59, No. 1, 25-40.

Matschke, Xenia. 2008 “Costly Revenue-Raising and the Case for Favoring Import-Competing Industries.” *Journal of International Economics*, Vol. 74, pp. 143-157.

Matschke, Xenia, Per Fredriksson, and Jenny Minier. “Environmental Policy in Majoritarian Systems.” Department of Economics working paper, University of Connecticut, available at <http://www.econ.uconn.edu/working/2008-01.pdf>.

McEvoy, D. M., S. Brandt, N. Lavoie, and S. Anders. 2008. “The Effects of ITQ Management on Fishermen’s Welfare When the Processing Sector is Imperfectly Competitive.” *Land Economics* (forthcoming).

Rojas, Christian, 2008. Price Competition in U.S. Brewing.” *Journal of Industrial Economics*, 56, 1-31.

Tian, Li and Ronald W. Cotterill. “The Strategic Effect of Private Label in a Vertical Bargaining Model.” University of Connecticut, Food Marketing Policy Center Research Report No. 100. October 2007.

Todd, Ewen and Julie A. Caswell. 2008. "Role of Programs Designed to Improve the Microbiological Safety of Imported Food." In *Imported Foods: Microbiological Issues and Challenges*, ed. Michael P. Doyle and Marilyn C. Erickson, pp. 209-254. Washington, DC: ASM Press.

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