



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 within the land grant university system by organizing meetings and conferences, by maintaining large scale data bases and by distributing publications. 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:

Should GMOs in Food Be Labeled?

by Dr. Julie A. Caswell

Labeling policy for genetically modified organisms (GMOs) in food is under intense development in many countries. If labeling is mandatory, then the entire supply chain from seeds to the supermarket shelf needs to be segregated based on a definition of “GMO” and standards on how much GMO content triggers a labeling requirement.

The European Union, Japan, and Australia/New Zealand, among others, have concluded that mandatory labeling is necessary based on consumers’ right to know whether biotechnology was used to produce their foods. Proponents of biotechnology fear that mandatory labeling will cause consumers to reject foods produced with GMOs. The United States has established a policy of voluntary labeling except where use of biotechnology makes a food substantially different, for example in its nutritional or allergy-causing characteristics. It argues mandatory labeling is not necessary to inform consumers and may, in fact, confuse them by suggesting there is something to be concerned about when GMO safety is scientifically proven. The FDA is expected shortly to issue guidelines for voluntary labeling.

Voluntary labeling makes sense in countries where a small segment of the population cares about the GMO status of food products and is willing to pay more for products based on this status. Here the benefits and costs of keeping products separate are borne by the consumers who want to buy non-GMO products or GMO products with particular product features. But if most people in a country want to know the GMO status of the products they buy, then mandatory programs are effective.

The costs of labeling mainly depend on the requirements to separate products in the supply chain from farm to table. The issue is not whether separation is feasible but how costly it is. Such segregation is already becoming widely used for US export markets.

There is speculation that the United States could challenge mandatory labeling policies as illegitimate nontariff trade barriers under the rules of the World Trade Organization, arguing that these policies are protectionist and anti-biotechnology. Such a challenge is not likely to be successful. It would probably fall under the Technical Barriers to Trade Agreement where the challenged country would only have to show that its labeling policy is designed to achieve a legitimate objective (informing consumers) and does so at a cost that is proportional to the standard's purpose. This is a fairly low hurdle to clear for a country that is mandating labeling.

For the United States, the current voluntary labeling policy may offer a good balance of benefits and costs but labeling policy is under discussion and bills have been introduced in Congress to require labeling. It is important to consider that labeling may facilitate market acceptance of GMOs. Consumers increasingly want to know information about how food products are produced. Effective voluntary or mandatory labeling is necessary to provide choice.

For More Discussion See:

Caswell, Julie A. 2000. Labeling Policy for GMOs: To Each His Own? *AgBioForum*. Published by Illinois Missouri Biotechnology Alliance 3 (1/Winter). (<http://www.agbioforum.org/>)

Food Marketing Policy Center on the Web

Don't forget to check out our ever-expanding Policy Center Home Page at:
<http://www.are.uconn.edu/FMktc.html>

Our web site contains an archive of newsletters, and an up to date publications list, which includes copies of recent Research Reports and Food Policy Issue Papers. These can be downloaded.

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Cooperating Research Personnel at Other Universities

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Vistors at the Center

Professor Valeria Sodano, Department of Agricultural Economics and Policy, Federico II University, Naples, Italy, September 2000. Ms. Sodano does research on industrial organization of agricultural processing and is writing an agricultural marketing textbook.

Donghun Kim, Yale University, September 2000.

Kyle Stiegert, Associate Professor, Kansas State University, on sabattic, Fall 2000.

Elena Lopez, Associate Professor, Universidad de Alcalá, Madrid, Spain is on sabattic for the academic year 2000-2001.

Fabio Verneau was a visitor in the Department of Resource Economics at the University of Massachusetts from September 19 to October 20. Mr. Verneau does research on food quality, especially food safety, in the Department of Agricultural Economics and Policy at the University of Naples *Federico II*.

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Recent Placements

Eliza M. Mojduszka, Ph.D. UMass (Caswell) to Assistant Professor, Dept. of Agricultural Economics, Rutgers University.

Tirtha P. Dhar, Ph.D. UConn, (Cotterill) to postdoctoral fellow, Dept. of Agricultural Economics, University of Wisconsin-Madison.

John R. Mott, M.S. (UConn), (Cotterill) to GIC Group (agribusiness consultants) Alexandria, VA.

Avinash Mainkar, Ph.D. (UConn), (Lubatkin) to Assistant Professor, School of Business, James Madison University.

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Sponsored Seminars and Workshops

Thomas Cox, Professor, University of Wisconsin-Madison, “Interregional Analysis of Dairy Compacts Using a Hedonic Spatial Equilibrium Model,” November 17, 2000.

Ronald W. Cotterill, Workshop on “Fluid Milk Pricing,” University of Connecticut, Storrs, CT, November 16, 2000.

Jean-Paul Chavas, University of Wisconsin-Madison), “A Dynamic Analysis of Component Pricing: An Application to the U.S. Dairy Sector,” December 1, 2000.

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NE-165 Announcements

NE-165 will co-sponsor several sessions at the Annual Meeting of the American Agricultural Economics Association (<http://www.aaea.org>) to be held in Chicago, August 5-8, 2001. Details will be posted as they become available at:

<http://www.umass.edu/ne165/meetings.html>

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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, 2000 are as follows:

***Agribusiness* (16:3) Summer 2000**

"Will China's Diet Follow Western Diets?" by Chizuru Shono, Nobuhiro Suzuki, and Harry M. Kaiser.

"Ex-Post Competitiveness of China's Export in Agri-Food Products: 1980-96" by Kevin Chen, Lian Xu, and Yufeng Duan.

"Adoption of ISO 9000 Quality Assurance Standards by South African Agribusiness Firms" by Christopher R. Turner, Gerald F. Ortmann, and Michael C. Lyne.

"Assessing Consumer Response to Protected Geographical Identification Labeling" by Maria Luz Loureiro and Jill J. McCluskey.

"A Measurement of the Quality of Orange-Juice Consumption" by Mark G. Brown and Jong-Ying Lee.

"Quality Versus Quantity in Mexican Household Poultry and Pork Purchases" by Diansheng Dong and Brian W. Gould.

"The Role of Product and Market Characteristics in Determining Cottonseed Prices" by Sukant K. Misra and Jane Bondurant.

"The Wealth Effect of Swap Usage in the Food Processing Industry" by Jian Yang, David J. Leatham, and Spencer A. Case.

BOOK REVIEW

by James MacDonald

The industrialization of agriculture: vertical coordination in the U.S. food system by Jeffrey S. Royer and Richard T. Rogers, (Eds.).

***Agribusiness* (16:4) Autumn 2000**

"Assessing Aspects of Agricultural Contracts: An Application to German Agriculture" by Klaus Drescher.

"The Relationship Between Economic Value Added and the Stock Market Performance of Agricultural Firms" by Calum G. Turvey, Linda Lake, Erna van Duren, and David Sparling.

"Food Purchase Diversity Across U.S. Markets" by Mark D. Jekanowski and James K. Binkley.

"Panama Canal: How Critical to U.S. Grain Exports?" by Steven W. Fuller, Luis Fellin, and Ken Eriksen.

"Private Investment in Livestock Breeding with Implications for Public Research Policy" by Clare A. Narrod and Keith O. Fuglie.

"Price Skewness and the Marketing of Finished Cattle" by C. Jack, S.A. McErlean, D. Anderson, and T. McCallion.

AGRIBUSINESS FORUM

Editor's Introduction

by Ronald W. Cotterill

"The Economic Analysis Related to the Canadian Wheat Board in the U.S. Countervailing Duty Investigation of Live Cattle from Canada" by Catherine Curtiss.

"The Canadian Wheat Board and Feed Barley" by Andrew Schmitz and Richard Gray.

BOOK REVIEW

by Roger G. Ginder

Structural change and performance of the U.S. grain marketing system, edited by Donald W. Larson, Paul W. Gallagher, and Reynold P. Dahl.

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Food Marketing Policy Center Graduate Assistantships Available, Fall 2001

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.

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Activity Report

Ronald W. Cotterill

(Ag. Econ., University of Connecticut)

Ron continues to work on the investigation of the Suiza Stop & Shop acquisition for the Attorneys General of Vermont, Massachusetts, and Connecticut.

In November Ron organized a workshop on Fluid Milk Market Pricing that included presentations by Robert Wellington, Chief Economist of Agrimark; Ken Bailey, Extension Dairy Economist at Penn State University; and Tom Cox, Professor at the University of Wisconsin-Madison. The workshop was attended by more than 40 individuals including farmers, State Department of Agriculture officials and university students and faculty and the agricultural media.

Ron attended the American Farm Bureau convention in Orlando, Florida and on January 8th gave an invited address on “The Impact of Retail and Processor Consolidation Upon Farmers.”

Julie Caswell

(Ag. Econ. University of Massachusetts)

Julie moderated a session on international trade issues at the USDA Conference on *Integrating Risk Assessment and Economics for Regulatory Decisions* in Washington, DC on December 7, 2000.

New Research Project: “Impacts of Stricter Food Safety Regulations in the United States on Developing Countries.” Master’s thesis research project by Yating Sun, supervised by Julie Caswell.

Jeremy Foltz

(Ag. Econ., University of Connecticut)

Jeremy continues to work on the economics of university agbiotech patent production. This work has produced two papers in collaboration with Bradford Barham and Kwansoo Kim at the University of Wisconsin. On going work seeks to include data on other agricultural patents and on non-patentable research (research articles) in the work.

Jeremy also has started a collaboration with Christopher Timmins at Yale University on the value of plant genetic resources.

Bruce Larson

(Ag. Econ., University of Connecticut)

Bruce continues his work on shade coffee labeling in the U.S. and its impact on coffee production in Central America.

Rigoberto Lopez

(Ag. Econ., University of Connecticut)

Rigoberto is working with Azzeddine Azzam (U. of Nebraska) and Elena Lopez (U. of Alcala de Henares-Spain) on a project to decompose the sources of productivity growth in the U.S. food manufacturing industries.

Rigoberto is working with Ibrahima Hathie (recent UConn Ph.D.) on a paper to explain the determinants of trade protection in the U.S. food manufacturing industries by estimating welfare weights place on industry welfare and the impact of the use of import quotas on the levels of protection.

Rigoberto continues to work with Azzeddine Azzam and Carmen Liron-Espana on a paper that separates oligopoly-power from the cost-efficiency effect of industrial concentration on output prices and input use, applying the model to data from the U.S. food processing industries.

Michael Lubatkin

(Business, University of Connecticut)

Michael, working with his recent Ph.D. student Avinash Mainkar and others, has completed a study of horizontal mergers that is forthcoming in the *Strategic Management Journal*.

Thomas Miceli

(Econ., University of Connecticut)

Tom is working with Kathy Segerson and John Antle to model firm incentives to monitor and detect food safety risks and to evaluate the impact of alternative government policy instruments on firm behavior.

William Putsis

(London Business School)

Bill and Ron have published a number of papers on branded food product and private label pricing. He is currently serving as chair of the Marketing Department at London Business School and working on more disaggregate models of pricing.

Richard Rogers

(Ag. Econ., University of Massachusetts)

Richard and Dan Lass continued a Massachusetts research project on the “State of Agriculture in the Bay State,” which resulted in several papers including “Agriculture’s Hold on the Commonwealth: an Executive Summary” published by the Massachusetts Department of Food and Agriculture, November 2000, 10 pages.

Richard and Dan are now working on analyzing results from an alternative marketing survey that over 3,000 Massachusetts farmers responded to regarding their use of farm stands, farmer’s markets, agrotourism and other direct marketing activities.

Richard and Dr. Ed Jesse, the interim Director of the Food System Research Group at the University of Wisconsin, wrote and secured a \$30,000 grant to conduct a case study of the cranberry industry over the next two years.

Kathy Segerson

(Econ., University of Connecticut)

Kathy is working with Richard Chisik, Tom Miceli and John Antle on two separate models of firm strategies in the food safety area and government policy interaction with firm strategies.

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Data Corner

Recent acquisitions include:

Metro Market Studies *Discount Store Distribution Analysis and Guide 2000*.

Metro Market Studies *Drug Store Distribution Analysis and Guide 2000*.

Trade Dimension’s *Market Scope 2001*.

Trade Dimension's *Directory of Mass Merchandisers 2001*.

Trade Dimension's *Market Scope. The Desktop Guide to Category Sales 2000*.

Trade Dimension's *Directory of Convenience Stores, 2000*.

The Food Institute's *Food Industry Review 2000*.

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:

Promo, Promotion Marketing Worldwide, November 1997-current.

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

Sales and Marketing Management, January, 1989-current.

Supermarket News, The Weekly Newspaper of Food Retailing, 1980-current.

DM News, The Weekly Newspaper of Record for Direct Marketers, beginning May 2000.

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

Contact Andrew Franklin (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.are.uconn.edu/FMktc.html>

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Recent Publications and Papers

Caswell, Julie A., Corinna M. Noelke, and Eliza M. Mojduszka. In Press. Unifying Two Frameworks for Analyzing Quality and Quality Assurance for Food Products. In *Global Food Trade and Consumer Demand for Quality*, ed. Barry Krissoff, Mary Bohman, and Julie A. Caswell. Kluwer Academic/Plenum Publishers.

Caswell, Julie A. 2000. "Labeling GMOs in Food: Trojan Horse or Good Policy?" *AgBiotechNet* 2(November): ABN 059.

Caswell, Julie A. 2000. "Labeling Policy for GMOs: To Each His Own?" *AgBioForum*. Published by Illinois Missouri Biotechnology Alliance 3 (1/Winter). <http://www.agbioforum.org/>

Caswell, Julie A., Jason A. Donovan, and Elisabete Salay. "The Downside of Trading Up." *Choices*. Second Quarter 2000:8-11.

Cotterill, Ronald W. and William Putsis, Jr. "Market Share and Price Setting Behavior for Private Labels and National Brands," *Review of Industrial Organization* 17(1):17-39, August 2000.

Cotterill, Ronald W., Leonard Egan, and William Buckhold. "Beyond Illinois Brick: The Law and Economics of Cost Pass Through in the ADM Price Fixing Case," *Review of Industrial Organization*, 18(1):45-52, February 2001.

Cotterill, Ronald W. "Neoclassical Explanations of Vertical Organization and Performance of Food Industries," *Agribusiness* 17(1):33-57, Winter 2001.

Damery, David, David Holm, Dan Lass, and Richard Rogers, "Food Marketing and Lumber Processing in Massachusetts 1958 to 1997" University of Massachusetts, May 2000.

Donovan, Jason A., Julie A. Caswell, and Elisabete Salay. In Press. "The Effect of Stricter Foreign Regulations on Food Safety Levels in Developing Countries: A Study of Brazil." *Review of Agricultural Economics*.

Franklin, Andrew W. "The Impact of Wal-Mart Supercenters on Supermarket Concentration in US Metropolitan Areas." *Agribusiness* 17(1):105-114, Winter 2001.

Henson, Spencer J. and Julie A. Caswell. 1999. "Food Safety Regulation: An Overview of Contemporary Issues." *Food Policy* 24(6):589-603.

Hitsch, Guenter. "Estimating a Bayesian Learning Model of Product Launch and Product Exit," November 2000, white paper, Department of Economics, Yale University.

Hooker, Neal H. and Julie A. Caswell. 2000. "Two Case Studies of Food Quality Management Systems." *Journal of International Food and Agribusiness Marketing* 11(1): 57-71.

Lopez, Rigoberto A. and Ibrahima Hathie. "The Structure of Government Intervention in African Agriculture." *Journal of Development Studies*. 37(October 2000):57-72.

Lubatkin, Michael H., William B. Schulze, Avinash Mainkar, and Ronald W. Cotterill. "An Ecological Investigation of Horizontal Mergers." *Strategic Management Journal*, 2001 (forthcoming).

Mainkar, Avinash V. "Product Proliferation as Barriers to Entry: A Longitudinal Study in the Food

Manufacturing Industry." Ph.D. dissertation, Department of Management, University of Connecticut, June 7, 2000. Michael Lubatkin, major advisor.

Mojduszka, Eliza M. and Julie A. Caswell. 2000. "A Test of Nutritional Quality Signaling in Food Markets Prior to Implementation of Mandatory Labeling." *American Journal of Agricultural Economics* 82(May):298-309.

Mojduszka, Eliza M., Julie A. Caswell, and J. Michael Harris. "Consumer Choice of Food Products and the Implications for Price Competition and Government Policy." *Agribusiness* 17(1):81-104, Winter 2001.

Mott, John R., "Strategic Analysis of the Beef SubSector—A Query into the Presence of Market Power and its Impact on Ranchers." Master's thesis, University of Connecticut, August 31, 2000. Ron Cotterill, major advisor.

Nevo, Aviv. 2000. "Mergers with Differentiated Products: The Case of the Ready-to-Eat Cereal Industry," *The RAND Journal of Economics*, 31(3):395-421.

Nevo, Aviv. 2000. "A Practitioner's Guide to Estimation of Random Coefficients Logit Models of Demand," *Journal of Economics & Management Strategy*, 9(4):513-548.

Nevo, Aviv. "Measuring Market Power in the Ready-to-Eat Cereal Industry," *Econometrica*, (forthcoming).

Noelke, Corinna. 2000. "Quality Management Systems and the Estimation of Market Power Exertion." Ph.D. dissertation, 176 pp.

Noelke, Corinna M. and Julie A. Caswell. "A Model of the Implementation of Quality Management Systems for Credence Attributes." Selected paper presented at the AAFA Annual Meeting, Tampa, Florida, August 2000.

Rogers, Richard T. “Monopoly and Competition” an updated chapter in *The Academic American Encyclopedia*, published by Grolier Incorporated, CT, USA, 2000 (forthcoming).

Rogers, Richard T. “The US Food Marketing System”, a chapter in *The Wiley Encyclopedia of Food Science & Technology*, Frederick J. Francis, editor, 2nd Edition, John Wiley & Sons, New York, NY, 2000, 2701:2724.

Rogers, Richard T. “Structural Change in U.S. Food Manufacturing, 1958 to 1997.” *Agribusiness*: 17(1):3-32, Winter 2001.

Rogers, Richard T., Jennifer Gruber, and Richard J. Sexton. “Do Agricultural Marketing Cooperatives Advertise Less Intensively Than Investor-Owned Food-Processing Firms?” *Journal of Cooperatives*, 15:31-46, 2000.

Rogers, Richard T., David Holm, and Dan Lass. Paper titled, “Case Study of a Farm Viability Enhancement Program Participant,” University of Massachusetts, August 2000.

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