



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:

The Northeast Compact and Dairy Policy: What are the Issues?

by Ronald W. Cotterill

The Northeast Dairy Compact was defeated; however, a version of the program is in the Senate agriculture bill. The issues of regional equity, and fluid milk price elevation and stabilization, thus remain on the national agenda.

One fact that surfaced in our work on the Compact is that the Midwestern cooperatives were able to institute an over-order premium for fluid milk in the Chicago market that was essentially equal to the Compact's premium in New England (Cotterill, Senate Testimony, p. 12, www.are.uconn.edu/fmktc.html). Thus private power in Chicago acted similarly to public power in New England. If the Compact had not been in action the average price for raw fluid milk in New England would have been the same as in Chicago. What are the economics that underlie this price equality? Are costs of production similar; or, do Midwestern cooperatives have and use market power more effectively than the less organized dairy cooperatives of the Northeast?

Another fact that deserves attention is the distribution of the over-order premiums over time in Chicago and New England. The Chicago cooperative premiums were roughly constant and uniform over time whereas the Compact premiums in New England enforced a price floor. Thus they kick in only where prices are low and stabilize raw fluid milk prices.

Other questions come to mind as well. What are the merits of public price stabilization programs as opposed to futures markets and their possible contribution to price stability? How does increasing concentration in dairy processing and retailing affect the pass through of changes in farm prices to consumers? Is public power in milk markets equally as suspect than private economic power of processors, retailers? On this point Representative James Sensenbrenner (R-Wis), Chairman of the House Judiciary Committee, has proposed holding hearings on the antitrust exemption for federal dairy policies. This is truly new territory for antitrust in food industry. In the 1970s the FTC attacked cooperative market power. Now the target is public regulation of markets. Lest one dismiss this as a quixotic Congressional probe, Timothy Muris, Chairman of the FTC, wants his agency to investigate the Noerr Pennington doctrine, i.e., the legal case law and rulings that exempt firms from antitrust oversight when complying with federal regulations such as agricultural policies. Is it possible that in the future we may well have the government suing itself for price fixing? I wonder if they will send the Secretary of Agriculture to jail? Anyone know a good institutional economist? We really need one.

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Cooperating Research Personnel at Other Universities

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Visitors to the Center

In July, Danilo Aguiar, Professor of Agricultural Economics at the Federal University of Vicosa, Brazil, visited the Center.

In December, Giovanni Galizzi, Professor of Agricultural Economics from Sacred Heart Catholic University, Piacenza, Italy, visited the Center.

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Recent Placements

Carmen Liron-Espana, PhD. University of Connecticut 2001, is currently working as a utility analyst at the Department of Telecommunications and Energy of Massachusetts.

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Position Announcement

University of Connecticut:

Assistant Professor in Residence: Applications are invited for a non-tenure track assistant professor

position in the Department of Agricultural and Resource Economics (full time, 9-month). The appointment is 100 percent research in the department's Food Marketing Policy Center, however some teaching may be possible. It is for two years with extension for one or more years depending upon performance and funding. The primary areas of specialization are applied industrial organization, and applied econometrics. A desired focus is empirical analysis of food industries, including company and brand level analysis of demand systems and competition. For more information go to www.are.uconn.edu/fmktc.html.

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NE-165 Announcements

NE-165 is happy to announce the publication of *Global Food Trade and Consumer Demand for Quality*, edited by Barry Kristoff, Mary Boham, and Julie Caswell. This edited volume is the result of an NE-165 co-sponsored conference held in 2000. It will be available by March from Kluwer Academic/Plenum Publishers.

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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, 2001 are as follows:

***Agribusiness* (17:3) Summer 2001**

"Competition in the Japanese Wholesale Potato Market" by Yusuke Higaki, Kisan Gunjal, and Garth Coffin.

"Market Risk and the Cattle Feeding Margin: An Application of Value-at-Risk" by Mark R. Manfredi and Raymond M. Leuthold.

"Does It Pay to Plan? Strategic Planning and Financial Performance" by Gregory A. Baker and Joel K. Leidecker.

"The Perceived Importance of Veal Meat Attributes in Consumer Choice Decisions" by Gale E. West, Bruno Larue, Chedlia Touil, and Shannon L. Scott.

"Determinants of Foreign Direct Investment in the Food Industry: The Case of Poland" by Peter Walkenhorst.

"Exploring Future Developments in International Olive Oil Trade and Marketing: A Spanish Perspective" by Samir Mili and Manuel Rodriguez-Zuniga.

"Slotting Allowances and Price-Cost Margins: A Note" by Azzeddine M. Azzam.

"A Note on Measuring Returns to Nonprice Export Promotion" by Henry W. Kinnucan and Oystein Myrland.

Book Review

by Ken D. Duft

Fundamentals of agribusiness finance, by R. W. Battles and R. C. Thompson, Jr.

***Agribusiness* (17:4) Autumn 2001**

"Perceptions of Fat Content in Meat Products" by Everett B. Peterson, Edward Van Eenoo, Jr., Anya McGuirk, and Paul V. Preckel.

"Incorporating Family Interactions and Socioeconomic Variables into Family Production

Functions: The Case of Demand for Meats” by Amir Heiman, David R. Just, Bruce McWilliams, and David Zilberman.

“Food Consumption in the European Union: Main Determinants and Country Differences” by A. Gracia and L.M. Albisu.

“The Consolidation Wave in U.S. Food Retailing: A European Perspective” by Neil Wrigley.

“Estimating Own and Cross Brand Price Elasticities, and Price-Cost Margin Ratios using Store-Level Daily Scanner Data” by Junko Kinoshita, Nobuhiro Suzuki, Tamotsu Kawamura, Yasuhito Watanabe, and Harry M. Kaiser.

“Evaluating Class I Differentials in the New Federal Milk Marketing Order System” by Tsunemasa Kawaguchi, Nobuhiro Suzuki, and Harry M. Kaiser.

“Economics of the Use of Imported U.S. High Oil Corn in Swine and Poultry Rations in Taiwan” by Tun-Hsiang Yu, C. Phillip Baumel, Marty J. McVey, and Jerry L. Sell.

“A Markov Chain Analysis of the Size of Hog Production Firms in the United States” by Jeffrey M. Gillespie and Joan R. Fulton.

Book Review

by Jeffrey S. Royer

Fast food nation: The dark side of the all-American meal, by Eric Schlosser.

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Food Marketing Policy Center Graduate Assistantships Available, Fall 2002

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 attended the annual meeting of the Organization of Competitive Markets in Nashville, Tennessee. He delivered a seminar, “Market Channel Firms Response to the Northeast Dairy Compact.” July 20, 2001.

Ron attended the American Agricultural Economics Association meetings in Chicago. He was the organizer and a speaker at the symposium titled, “Vertical and Horizontal Arrangements of Fresh Produce Marketing.” He was also a discussant at the invited paper session, “Cooperatives and Membership Commitment,” August 2001.

Ron was one of four economists invited to discuss dairy compacts at a closed meeting for members of the House of Representatives that was organized and chaired by the Speaker of the House, Dennis Hastert. Washington, D.C., August 1, 2001.

Ron is serving as expert economist for the analysis of the impact of price fixing in vitamins. This work is for the vitamin manufacturers BASF, Aventis, Hofmann LaRoche, and Takeda.

Julie Caswell

(*Ag. Econ. University of Massachusetts*)

Julie has been appointed to the National Academy of Sciences Committee on *The Implications of Dioxin in the Food Supply*. The Committee will meet and write its report over the next year.

Drs. Ema Maldonado-Siman and Myriam Sagarnaga Villegas visited the Resource Economics Department at the University of Massachusetts during the week of September 10th. They work in the Food Safety Research Program at the Animal Science Department, Universidad Autonoma Chapingo, Mexico. They are developing a cooperative research program with Julie Caswell.

Julie Caswell presented a brown bag seminar titled *How Much of a Good Thing? Labeling of the Nutrition and Safety of Food Products* in the series of the Center for Public Policy and Administration, University of Massachusetts Amherst, September 2001.

Elise Golan and Julie Caswell made a presentation on *Private and Public Economic Incentives to Reduce Foodborne Risk: Theoretical Overview* in a Symposium on Economic Incentives, Innovation, and Foodborne Pathogen Risks, Annual Meeting of the Society for Risk Analysis, Seattle, December 4, 2001.

Julie Caswell is serving as the chair of the Professional Activities and New Products Committee of the American Agricultural Economics Association.

Jeremy Foltz

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

Jeremy Foltz continues his work on university production of agricultural biotechnology patents. He is developing new work co-authored with Bradford Barham and Kwansoo Kim of the University of Wisconsin on the relationship between patents and scientific journal article production. Jeremy recently completed a study with his student, Li Tian, on the determinants of university plant patents and hopes to expand that work to include company owned plant patents and plant variety protections. Jeremy also continues a multi-state investigation of the returns to rBST adoption on farms.

Jeremy presented the paper "Agricultural Biotechnology Research at the University of Connecticut," at the annual College of Agriculture and Natural Resources stakeholders meeting.

Jeremy presented the paper "What's So Different About Agricultural Biotechnology: An Investigation of University Agricultural Patenting" at the International Conference on Agricultural Biotechnology Research, Ravello Italy, June 2001.

Jeremy presented the paper by Bradford Barham, Jeremy Foltz, and Kwansoo Kim, "Trends in University Ag-Biotech Patenting" at the American Agricultural Economics Association Meetings, Chicago, Illinois in August 2001 and at the International Conference on Agricultural Biotechnology Research, Ravello Italy, June 2001.

Jeremy presented the paper "Transition in the Connecticut Dairy Industry: Understanding Farm Size, Entry and Exits" at the Northeast Agricultural and Resource Economics Association meeting, Bar Harbor, Maine, June 2001.

Bruce Larson

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

Bruce Larson continues to work with his advisees Shinano Hayashi and Sara Scatista (DARE Ph.D. students) on trade impacts of labels for credence attributes. He presented a paper titled "Made in the Shade: Eco-Labels to Manage Production Externalities" at the Northeast Association of Agricultural and Resource Economists, Bar Harbor, Maine, June 2001. Shinano Hayashi presented a seminar on his dissertation prospectus, titled "The Market Impacts of a Mandatory GMO Label on Food Products in Japan" in December 2001. Sara Scatista continues work on her dissertation on the welfare and trade effects of Germany's policy of reusable beverage bottles.

Nathalie Lavoie*(Ag. Econ. University of Massachusetts)*

Nathalie presented the results of her Ph.D. dissertation at the Canadian Wheat Board, in Winnipeg, MB, Canada on September 21, 2001. She also took this opportunity to meet with various grain industry officials to get an update on current domestic and international grains' issues.

Nathalie gave a seminar entitled, "Price Discrimination in the Context of Vertical Differentiation: An Application to Canadian Wheat Exports" in the Department of Agribusiness and Agricultural Economics at the University of Manitoba, Winnipeg, MB, Canada on November 22, 2001.

Umass Master's student, Andreea Rotaru, is working on a master thesis on price discrimination on the internet. Nathalie is chair of the committee.

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

Rigoberto presented a paper (with I. Hathie), entitled, "Is Protection for Sale in the Food Industries?" at the European Economics Association Meetings in Lausanne, Switzerland, September 2001.

Carmen Liron-Espana presented a paper (with Rigoberto Lopez) entitled, "When is Concentration Beneficial?" at the European Association for Research in Industrial Economics Meeting in Dublin, Ireland, September 2001.

Rigoberto is working with Ron Cotterill and Benaissa Chidmi (M.S. student) to investigate the impact of the Northeast Dairy Compact with a structural model of market power.

Rigoberto taught a two-week graduate course on "Supply of Agricultural Products" in Zaragoza, Spain at the CIHEAM (Institute for Advanced Agronomic Studies of the Mediterranean). Finally, he has been named an Associate Editor of the new,

web-based *Journal of Agri-Food Industrial Organization and Policy*.

Richard Rogers*(Res. Econ., University of Massachusetts)*

Richard's student, David Holm, completed a Dissertation on, "Massachusetts Agriculture and Food Self-Sufficiency: An Analysis of Change from 1974 through 1997." Contrary to national trends, the number of farms in Massachusetts increased from 1974 to 1997 while average farm size decreased. The top agricultural products group was fruits, nuts, and berries; second was nursery and greenhouse. Dairy sales, now the third highest group, maintained stable production levels, but the number of dairy farms declined. Massachusetts was a national leader in direct marketing, with highest direct market sales per farm. Trends posing concern included: continued loss of land on farms and cropland, older average age of farmers with fewer younger farmers, and escalating costs of farmland making new entry difficult.

Richard completed an update of his chapter, "Broilers—Differentiating a Commodity." A chapter in *Industry Studies*, 3rd edition, edited by Larry L. Duetsch, M.E. Sharp, Armonk, NY, forthcoming.

The broiler industry continues to provide consumers with a wide variety of popular products at competitive prices. Product differentiation remains low compared to most processed food products, and firms have shifted emphasis to more value-added products. Consolidation continues with Tyson increasing its number one ranking in broilers and its aggregate presence by buying IBP last year.

Richard has added a new course to his teaching duties, "Intro Stats" for School of Management majors. This fall the course had 225 students and used the Personal Response System technology that allows students to answer questions during lectures with remote, handheld transmitters.

Richard was elected as an honorary member to the University of Massachusetts-Amherst chapter of the Golden Key International Honour Society in November. He also gave the keynote address to the 500 students and parents attending the induction ceremony.

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Data Corner

Recent acquisitions include:

Trade Dimensions *2002 Marketing Guidebook*.

The Food Institute's *Food Industry Review*, 2001.

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 Business, 1996-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.

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.

The Milkweed, The Farmer's Milk Marketing Report, Oct 2000-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

Barham, Bradford, Jeremy Foltz, and Kwansoo Kim. "Trends in University Ag-Biotech Patenting." *Review of Agricultural Economics*. (forthcoming)

Caswell, Julie A. 2001. Too Many Cooks. *Forum for Applied Research and Public Policy* 16(2):43-47.

Caswell, Julie A. 2000. Analyzing Quality and Quality Assurance (Including Labeling) for GMOs. *AgBioForum*. Published by Illinois Missouri Biotechnology Alliance 3 (4/Winter). (<http://www.agbioforum.org/>)

Caswell, Julie A. and Joanne Wang, 2001. Quantifying Regulatory Barriers to Asian-U.S. Food Trade. *Journal of Agribusiness* 19(2):121-128.

Cotterill, Ronald W. 2002. Dynamic Explanations of Industry Structure and Performance. *British Food Journal* 103(10):679-714.

Cotterill, Ronald W., and Pierre Samson. "Estimating a Brand Level Demand System for American Cheese Products to Evaluate Unilateral and Coordinated Market Power Strategies." *American Journal of Agricultural Economics*, 2001 (forthcoming).

Cotterill, Ronald W. "Cooperative and Membership Commitment: Discussion." *American Journal of Agricultural Economics*, 2001, 83(5):1278-1279.

Ronald W. Cotterill and Andrew W. Franklin. "A PowerPoint® Deconstruction of the Farm and Retail Price Analysis Presented in 'The Public Interest and Private Economic Power: A Case study of the Northeast Dairy Compact.'" Food Marketing Policy Center Issue Paper No. 22. May, 2001.

Cotterill, Ronald W. and Andrew W. Franklin. "The Impact of the Northeast Dairy Compact: A Comparative Evaluation of Two Studies" Food Marketing Policy Center Issue Paper No. 23. July 2001.

Cotterill, Ronald W. "The Impact of the Northeast Dairy Compact and Market Channel Pricing Strategies on the Performance of the New England Dairy Industry." Submitted testimony to the Senate Judiciary Committee, Washington, D.C. July 25, 2001. Food Marketing Policy Center Issue Paper No. 24. July 2001.

Cotterill, Ronald W. "University of Connecticut Research on Dairy Compacts and Fluid Milk Pricing: Executive Summaries, Fact Sheets, and Price Charts." Submitted to the House of Representatives Meeting on Milk Pricing,

Washington, D.C. August 1, 2001 Food Marketing Policy Center Issue Paper No. 25. August, 2001.

Foltz, Jeremy D., and Hsui-Hui Chang. "The Adoption of rBST on Connecticut Dairy Farms." *American Journal of Agricultural Economics*. (forthcoming).

Foltz, Jeremy D. "Valuation and Ownership of Genetic Resources in Agriculture." In *UNESCO Encyclopedia of Life Support Systems*. 2001.

Foltz, Jeremy. "Agricultural Biotechnology: What is it? And What are the Key Issues?" *College of Agriculture and Natural Resources Journal*. 2001.

Foltz, Jeremy. "Trends in University Ag-Biotech Patent Production." Poster.

Günter J. Hitsch, "Essays on the Economics and Marketing of New Goods," Ph.D. dissertation, Yale University (Steven Berry, major advisor).

Carmen Liron-Espana, "Market Power and Efficiency Impacts of Concentration: Evidence from U.S. Manufacturing." Ph.D. dissertation, University of Connecticut (Rigoberto Lopez, major advisor).

Lopez, Rigoberto A. "Campaign Contributions and Agricultural Subsidies." *Economics and Politics* vol. 13, (November 2001): pp: 257-279.

Lopez, Rigoberto A. "Price and Exchange Rate Transmission for Basic Grains in El Salvador." *Políticas Agrícolas* 5 (Summer 2001): forthcoming.

Lopez, Rigoberto A., Azzeddine Azzam, and Carmen Liron-Espana. "Market Power and/or Efficiency: A Structural Approach," forthcoming, *Review of Industrial Organization*, January 2002.

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