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.

Tel. (860) 486-1927
FAX (860) 486-2461
fmpc@uconn.edu
http://www.fmpc.uconn.edu

June 2005 (Vol. 12 No. 2)

Newsletter Editorial:

Julie Caswell delivered a Distinguished Faculty Lecture at the University of Massachusetts Amherst on February 28. She also received the Chancellor’s Medal, the highest honor bestowed on individuals for exemplary and extraordinary service to the university. Here is an excerpt from her lecture:

A Food Scare a Day: Why Aren’t We Better at Managing Dietary Risk?*

by Julie A. Caswell

Information on the health risks, or the reverse the health benefits, of eating particular foods is increasingly before us in the media, and delivered to us by health care professionals, government, and consumer groups. Sometimes the news amounts to a food scare. Does the existence of food scares mean that we are bad at risk management? Not necessarily. New information is developed as we go along that can bring new risks to the forefront or put known risks into a new perspective. But in some cases food scares do indicate poor risk management. In these cases, information generates a scare because there is insufficient risk management in place or the response to the new information is inadequate.

Why isn’t the U.S. federal government better at managing dietary risk? To answer we need to take a step backward and look at the whole process needed to handle dietary risks. In recent years, governments and companies around the world have adopted a common conceptual approach to this process called risk analysis. Risk analysis is an iterative process with three components: risk assessment, risk management, and
risk communication. There are two key problems that explain why we are not better at managing dietary risks:

1) An imbalance of effort among the three components of risk analysis: risk assessment, risk management, and risk communication.

2) Inadequate risk management.

Focusing on the imbalance of effort first, let us use a vehicle analogy. In the United States, risk assessment currently is a Hummer, in fact the very largest of the Hummers. The Hummer is over built, expensive (base price of $140,000, much more with added features), and has very low mileage. It provides great protection to its occupants but will flatten anyone else it runs into on the road. The Hummer risk assessment takes a lot of scientific expertise. It is expensive. We have only a very few, very high quality risk assessments for food. We are shining a very bright, focused light on a small number of very specific risks. The Hummer risk assessment (how many a year, a decade?) detracts from a comprehensive approach to risk management.

Meanwhile risk management is a Yugo, a very inexpensive vehicle some may remember as being marketed in the United States in the 1980s. It was under built and cheap; it got high mileage if it did not break down. It provided questionable protection to its occupants; although it was unlikely to cause serious damage to anyone it ran into on the streets. In the United States, and similarly in other countries around the world, we have not devoted enough analytical talent and resources to developing and evaluating options to manage risk. Risk communication is even further behind. It is a child’s big wheel tricycle selling for about $50. You would not want to drive it down the highway. The first problem that explains why we are not better at managing dietary risks is the imbalance of quality of effort among the three components of risk analysis.

The second problem that explains why we are not better at managing dietary risks is, simply put, inadequate risk management. We are not better at managing dietary risk because of:

- What we do not know.
- What we know too well.
- What we have not tried to find out.

What we frequently do not know well enough are the diverse benefits that may result from particular control options. What we know too well is usually the direct costs of taking further control actions. What we have not tried to find out in many cases is strategic information necessary to make good decisions. The case of the management of bovine spongiform encephalopathy (BSE, popularly known as mad cow disease) in North America provides evidence of all three of these shortcomings.

Managing dietary risks is a complex problem. Essentially, risks pile up and the management burden grows. The big management burden requires that we become more efficient at making decisions. If consumers are to be confident in the regulatory system, the system must find a way to avoid tipping points where the federal government says no, no, no, no to stricter controls and then suddenly yes. Our regulatory history is full of tipping points. A prime example is the Jack in the Box E. coli O157:H7 outbreak in 1993 and the first case of BSE in the United States in 2003. For two reasons we should not wait for the human health consequences or other consequences, such as trade disruption, to reach some critical mass before they can outweigh what we know too well—the direct costs of better controls. First, it is bad policy. Second, in crisis mode we may misspend our control resources on the wrong risks or the wrong way of controlling them.

Recall the Hummer risk assessment, the Yugo risk management, and the tricycle risk communication. We need to replace the Yoro with a Toyota Prius Hybrid. This hybrid is built right, a good value, has high mileage, works, provides good protection to its occupants, and poses less threat to pedestrians and passengers in other cars. We also need to upgrade risk communication from its tricycle status. Better risk management requires a two-tier approach: 1) generate broad and shallow information on risks,
health outcomes, incentives, options, benefits, and costs (Toyota Prius Hybrid risk management to be used everyday) and 2) generate narrow and in-depth information on high priority risks (Hummer risk assessment to be used sparingly.)

*A longer version of this text will be published as a Perspective in Human and Ecological Risk Assessment, October 2005.

Food Marketing Policy Center Staff and Researchers–UConn and UMass

Ronald W. Cotterill, Director (860) 486-2742
Ronald.Cotterill@uconn.edu

Julie A. Caswell (UMass) (413) 545-5735
Caswell@resecon.umass.edu

Robert J. Johnston (860) 405-9278
Robert.Johnston@uconn.edu

Nathalie Lavoie (UMass) (413) 545-5713
Lavoie@resecon.umass.edu

Qihong Liu (UMass) (413) 545-6650
qiliu@resecon.umass.edu

Rigoberto A. Lopez (860) 486-1921
Rigoberto.Lopez@uconn.edu

Adam N. Rabinowitz (Res. Assistant) (860) 486-2826
Adam.Rabinowitz@uconn.edu

Larraine Knight (Secretary) (860) 486-1927
Larraine.knight@uconn.edu

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.

Food Marketing Policy Center Newsletter, University of Connecticut—June, 2005

§

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. 1 and 2, 2005 are as follows:

Agribusiness 21(1) Winter 2005

"Derived Demand for Disaggregated Cheese Products Imported Into Japan” by Andreas P. 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.

§

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

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, Ph.D. student, Dept. of Economics/Agricultural Economics, Virginia Tech.


“The Effects of Barge Shocks on Soybean Basis Levels in Arkansas: A Study of Market Integration” by Andrew M. McKenzie.


“Starting Salaries for Agribusiness Graduates From an AASCARR Institution: The Case of Southern Illinois University” by Kim Harris, Dwight R. Sanders, Shaun Gress, and Nick Kuhns.


“The Effects of Industry and Firm Resources on Profitability in the Food Economy” by Sara Schumacher and Michael Boland.

“Heterogeneity in the Likelihood of Market Advisory Service Use by U.S. Crop Producers” by Joost M.E. Pennings, Scott H. Irwin, Darrel L. Good, and Olga Isengildina.

Book Review by Glenn C.W. Ames

Agribusiness 21(2) Spring 2005

Special Issue: Retailing and Producer-Retailer Relationships

Introductory Remarks
Ronald W. Cotterill and Louis-Georges Soler

“Supermarkets and Their Impacts on the Agrifood System of Brazil: The Competition Among Retailers” by Elizabeth M.M.Q. Farina, Rubens Nunes, and Guilherme F. de A. Monteiro.


“Determining the Causality Between Retail Price and Consumer Demand in a Linear Function when Demand-Shift Variables are Missing but Wholesale Prices are Available” by W. Erno Kuiper and Matthew T.G. Meulenberg.

“Branding and Its Consequences for German Agribusiness” by Jon H. Hanf and Rainer Kühl.


Vertical Contractual Relations in the Italian Beef Supply Chain” by Cristina Mora and Davide Menozzi.

“Effects of the Swiss Retailers’ Strategy on the Governance Structure of the Fresh Food Products Supply Chains” by Sophie Réviron and Jean-Marc Chappuis.

“Vertical Integration and Non-Linear Price Adjustments: The Spanish Poultry Sector” by Monia Ben-Kaabia, José M. Gil, and Mehrez Ameur.


Book Review by Dawn Thilmany
Agri-Food Globalization in Perspective, by Bill Pritchard and David Burch.
Activity Report

Ronald W. Cotterill
(Ag. Econ., University of Connecticut)

Ron delivered an invited paper at the Australian Agricultural and Resource Economics Society annual conference titled, “Industrial Organization Analysis of Supermarket Retailing: Common Global Concerns that Play Out in Local Markets.” The conference was held at Coffs Harbour, New South Wales, Australia, February 9-11, 2005.


Ron is the 2005 recipient of the University of Connecticut College of Agriculture and Natural Resources Award of Excellence. This award recognizes outstanding research accomplishments by an individual.

Julie Caswell
(Ag. Econ. University of Massachusetts)

Julie Caswell was an instructor in 1-week Advanced Course on Quality Assurance In Agro-Food Marketing: Normatives, Systems, and Business Implications at the International Centre for Advanced Mediterranean Agronomic Studies (CIHEAM), Zaragoza, Spain, in March 2005.

Julie Caswell is serving as a member of the National Academy of Sciences Committee on Nutrient Relationships in Seafood: Selections to Balance Benefits and Risks. The Committee will meet over the next 18 months and issue a report.

Julie Caswell has been appointed to a 3-year term as a member of the Food Forum sponsored by the Institute of Medicine, National Academies of Sciences.


Robert J. Johnston
(Ag. Econ., University of Connecticut)

The final report, “Consumer Preferences for Ecolabeled Seafood: Results of a Connecticut Survey” was completed and submitted to the Food Marketing Policy Center in late December. The report was authored by Cathy A. Reheim, Robert J. Johnston, Jessica Greer, and Holger Donath.

Based in part on the results of this work, Rob and Cathy have submitted a full proposal to Rhode Island Sea Grant to conduct further research regarding trade-offs in seafood ecolabeling. This summer, focus groups will also be conducted 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.

Nathalie Lavoie
(Ag. Econ. University of Massachusetts)


Qihong Liu
(Ag. Econ., University of Massachusetts)

Qihong Liu presented, “Product Customization” at the International Industrial Organization Conference, Atlanta, Georgia, April 8-9, 2005 (paper joint with Konstantinos Serfes and Dan Bernhardt).
Qihong Liu has completed the paper, “Promotion and Price-matching.”

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

Rigoberto was interviewed on May 10, 2005 on the Wayne Norman Morning Show (14 AM Wili Radio) about community food security in Northeastern Connecticut.


Alessandro Bonanno, Ph.D. graduate student, presented a selected paper entitled, “Retail Configuration and Milk Prices,” co-authored by Rigoberto Lopez, at the Northeastern Agricultural and Resource Economics Association Meetings, June 12-15, 2005 in Annapolis, Maryland.

**Adam D. Rennhoff**  
*(LeBow College of Business, Drexel University)*

Adam D. Rennhoff completed his Ph.D. at the University of Virginia entitled, “A Theoretical and Empirical Investigation of Slotting and Promotional Allowances in the Grocery Industry.”

Adam D. Rennhoff’s paper entitled, “Paying for Shelf Space: An Investigation of Merchandising Allowances in the Grocery Industry” is under review at the *RAND Journal of Economics.*

---

**Data Corner**

**Recent acquisitions include:**


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:

- *Supermarket News,* The Weekly Newspaper of Food Retailing, 2000-current.
Food Marketing Policy Center Newsletter, University of Connecticut—June, 2005


Contact Adam N. Rabinowitz (860) 486-2826 for a complete listing of data and reference works available.

§

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

§

Recent Papers and Publications


Johnston, Robert J., and Cathy A. Roheim. 2005. “A Battle of Taste and Environmental Convictions for Ecolabeled Seafood: A Choice Experiment,” submitted to the Journal of Agricultural and Resource Economics. First round review results have been returned to the authors, and revisions for a resubmission are currently underway. This paper has also been accepted for presentation at the annual meetings of American Agricultural Economics Association, to be held in Providence, RI from July 24-27.


