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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June 2001 (Vol. 8 No. 2)

Insie this Issue:
Policy Editorial ...................... 1
Center Staff ......................... 3
Activity Report ...................... 5
Data Corner .................. 8
FMPC Publications Catalog .... 8
Publications and Papers ....... 8

Newsletter Editorial:

Latest Compact Study Likely to Have Lingering Effects

by Dick Groves, Publisher, Editor, Cheese Reporter

The University of Connecticut’s study on the Northeast Interstate Dairy Compact isn’t the first study of compacts and probably won’t be the last. But it will probably be the definitive study as far as influence over policy is concerned.

In case you missed it, the Connecticut study was released last week, and covered extensively in a story that started on our front page. Among the study’s key conclusions was that fluid milk processors and retailers have used the Northeast Dairy Compact to increase their profits.

That finding alone differentiates this study from some of the previous studies we’ve seen. Those studies–one from Dr. Ken Bailey when he was still at the University of Missouri, the other by Tom Cox, Bob Cropp and Will Hughes of the University of Wisconsin–essentially concluded that compacts are good for those dairy farmers covered by the compacts, bad for all other dairy farmers, bad for fluid milk consumers within the compact region but good for consumers of manufactured dairy products everywhere.

From a political standpoint, these studies were what might be called “non-starters.” That is, they didn’t contain anything that didn’t confirm why compacts are already favored by those farmers and politicians within compact regions and despised by farmers and politicians elsewhere. So both sides just dug in their heels even deeper when these
reports came out. The University of Connecticut study was different in a couple of respects. One, it garnered immediate response from attorneys general in New England; and two, it garnered immediate response from some members of Congress from New England.

There’s another difference between the Connecticut study and those previous studies. The lead author, Dr. Ron Cotterill, probably isn’t very well known in dairy circles, certainly not as well known as the authors of the studies cited above.

But Cotterill has delved into dairy controversies before, and his recommendations actually garnered policy changes that are still with us today. Specifically, Cotterill testified at the May 1996 House dairy subcommittee hearing on the National Cheese Exchange.

His testimony didn’t garner much attention—indeed, it wasn’t even mentioned in our extensive hearing coverage, which took up over half of our paper that week—but one of his recommendations eventually became policy. What Cotterill specifically said was that no meaningful reform of the cheese price discovery process can be successful without a significant and leading role being played by USDA. He suggested a national cheese price reporting system based upon spot and contract sales and inventory audits of the top 200 cheese plants “to reestablish the integrity and allocative efficiency of the cheese pricing system.”

Today, of course, we have the weekly NASS “Dairy Product Prices” reports, which were launched about 10 months after that subcommittee hearing. And those NASS prices have replaced cash market prices in USDA milk pricing formulas. So it might be said that Cotterill’s views hold some sway with decision-makers.

And that leads back to our point about who responded quickly to his new dairy compact study. First, attorneys general in New England are planning legal action against retailers and dairy processors, in response to the study’s contentions. So the dairy compact, which has been challenged in court since before it was implemented, will soon be back in the courts again, at least indirectly.

Second, Vermont’s congressional delegation—two senators and one House member, all of whom live and breathe dairy in a state where something like three-quarters of all farm income is dairy-related—welcomed the report as evidence that “the compact is good for consumers and gives farmers a fair shake.” Further, they said in a joint statement last week, “as this study clearly shows, market abuses and increasing consolidation in the dairy industry are the true culprits, not dairy farmers or our compact.”

So Congress will also be involved. That’s not new, given that compact legislation was just introduced last week, and given that compact supporters are working with a September 30 deadline.

It will, however, be interesting to see how much compact supporters focus just on extending and expanding dairy compacts, and how much, if at all, they focus on legislation that might tighten enforcement of agricultural mergers and acquisitions. While Vermont’s congressional delegation talks about how the Northeast Dairy Compact “is good for consumers,” the main points covered in the report dealt with milk pricing practices, not consumer benefits. And we’re not sure how “good” the compact has been for consumers, given that it has cost them $19 million since it was implemented, according to the Connecticut study. Where is the “good” in that?

The bottom line to all of this is that while the compact issue itself might end by September 30, the key issues covered in the Connecticut study won’t end for quite a while after that. At the processor level, the Connecticut study singled out Suiza Foods for criticism.

That company is currently under investigation by attorneys general in New England, and will also
come under some US Justice Department scrutiny in the months ahead as its proposed acquisition of Dean Foods Company is analyzed. Indeed, Suiza announced yesterday that it has received a second request from the Justice Department regarding its proposed merger with Dean.

That’s mainly a regional issue, concerning New England and a few other areas where Suiza and Dean overlap. Nationally, concerns over the growing power of retailers by others in the food marketing chain are likely to increase in light of this new study. Indeed, entities ranging from the Federal Trade Commission to the Senate Small Business Committee are voicing concerns over slotting fees and other retailer practices. This study will likely be added to the evidence against retailers.

So the compact issue may be resolved in a few months, but other issues raised by the Connecticut study will linger long after that.

ADDENDUM: See our website for downloadable copies of our study, responses to it, subsequent work, and many press articles. The site contains a running blow by blow on the Compact debate. http://www.are.uconn.edu/fmktc.html

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Visitors at the Center

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

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Recent Placements

Tirtha Dhar completed his Ph.D. in Agricultural and Resource Economics at the University of Connecticut and is now a post doctoral fellow at the Food System Research Group, Department of Agricultural Economics, University of Wisconsin-Madison.
Eliza Mojduszka has taken a position as an Assistant Professor in the Department of Agricultural, Food, and Resource Economics at Rutgers University. Eliza received her Ph.D. in Resource Economics at UMass in 1997.


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NE-165 Announcements

NE-165 was the co-sponsor of a Resources for the Future conference held on May 23-24, 2001 in Washington, DC titled Setting Food Safety Priorities: Toward a Risk-Based System. The conference focused on risk assessment, benefit/cost analysis, and risk management. For the conference program see:


NE-165 will co-sponsor sessions in two topic tracks at the annual meeting of the American Agricultural Economics Association to be held in Chicago, August 5-8, 2001 (http://www.aaea.org). For details see:

Food Safety and Nutrition Track
http://www.umass.edu/ne165/conferences01/food_safety_track.html

Food and Agricultural Marketing Policy Track
http://www.umass.edu/ne165/conferences01/famps_track.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. 1 and 2, 2001 are as follows:

Agribusiness (17:1) Winter 2001
Special Issue: The American Consumer and the Changing Structure of the Food System

"Editorial Introduction” by Ronald W. Cotterill.


“Consumer Choice of Food Products and the Implications for Price Competition and Government Policy” by Eliza M. Mojduszka, Julie A. Caswell, and J. Michael Harris.

“The Impact of Wal-Mart Supercenters on Supermarket Concentration in U.S. Metropolitan Areas” by Andrew W. Franklin.

“Multiproduct Retailers and the Sale Phenomenon” by Daniel Hosken and David Reiffen.


BOOK REVIEW
by Jeffrey S. Royer

Economics of Strategy, by David Besanko, David Dranova, and Mark Shanley.
Agribusiness (17:2) Spring 2001


“Market Concentration and Vertical Coordination in the Pork Industry: Implications for Public Policy Analysis” by Phillip L. Paarlberg and Mildred M. Haley.

“Pesticide Residues and Vertical Integration in Florida Strawberries and Tomatoes” by Richard L. Kilmer, Anouk M. Andre, and Thomas J. Stevens III.

“Applying Marketing Channel Theory to Food Marketing in Developing Countries: Vertical Disintegration Model for Horticultural Marketing Channels in Kenya” by Tjalling Dijkstra, Matthew Meulenberg, and Aad van Tilburg.


“NAFTA Intra-Industry Trade in Agricultural Food Products” by Bashir A. Qasmi and Scott W. Fausti.

“Evaluating Environmental Liability through Risk Premiums Charged on Loans to Agribusiness Borrowers” by Mary Jo Billiot and Zoel W. Daughtrey.


BOOK REVIEW
by Donald W. Larson

The economics of world wheat markets by J.M. Antle and V.H. Smith.

**Julie Caswell**  
*(Ag. Econ. University of Massachusetts)*

Julie presented a seminar on *How Does Food Labeling Affect Consumer Welfare?* at the Department of Agricultural and Applied Economics, Virginia Polytechnic Institute and State University, January 26, 2001.

Julie gave an invited presentation on *Regulation of Food Attributes Other Than Safety in a WTO World* at the conference on Standards, the WTO, and the Agrifood Sector, Michigan State University, 23 March 2001.

Julie worked with Gilles Grolleau, a visiting researcher in the Department of Resource Economics at the University of Massachusetts from March 19-June 13, 2001. Gilles is a Ph.D. student in the Department of Agricultural Economics and Sociology at the University of Burgundy in France.

Julie gave an invited presentation on *Labeling Policy for GMOs: Choices, Benefits, and Costs* at the Plant Biotechnology Symposium, American Chemical Society meeting, San Diego, CA, 2 April 2001.

Julie will give an invited paper on *Food Safety and the Consumer* at the seminar on The Food Consumer in the Early 21st Century, European Association of Agricultural Economists, Zaragoza, Spain, 20 April 2001.


Julie presented a lecture on *Economic Approaches to Measuring the Significance of Food Safety in International Trade* on the 1st Global Virtual Conference on Swine Health organized by the Embrapa Swine and Poultry Research Center, Brazil, 8-22 May 2001.

Julie will teach a 1-week course on the *Economics of Food Safety* at the Università degli Studi di Napoli Federico II, Dipartimento di Economia e Politica Agraria, Portici, Italy, 18-22 June 2001.

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


Jeremy is currently working with a student, Li Tian, on the determinants of university plant variety protection act patents.

Jeremy also continues a collaboration with Chris Timmons of Yale on estimating values of genetic traits in plants using micro data. He is also starting a multi-state investigation of the returns to rBST adoption on farms with collaborators at Cornell, UC-Davis, and Wisconsin.

Jeremy was elected a director at the recent meeting of the Northeast Agricultural and Resource Economics Association.

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


While in Japan, Shinano Hayashi is gathering additional information on the newly established
policy of mandatory labeling certain types of products containing GMOs as part of his dissertation research.

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

Nathalie continues her work on price discrimination under vertical differentiation. The application is to the exports of Canadian bread wheat.

Nathalie attended the Agricultural Economics Young Professionals Conference in Keystone, Colorado from June 12 to 14.

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

Rigoberto Lopez, Azzedine Azzam (Nebraska), and Elena Lopez (U. Alcala, Spain) are collaborating on a paper entitled, "Imperfect Competition and Productivity Growth in U.S. Food Processing," assessing the sources of total factor productivity growth in 30 food processing subsectors.

Rigoberto Lopez, Azzedine Azzam and Carmen Liron (Uconn) finished a paper entitled "Market Power and/or Efficiency: A Structural Approach," using 32 food processing subsectors to answer that question.

Rigoberto Lopez and Elena Lopez are collaborating on a paper that empirically analyzes the impact of imports on price cost margins of U.S. food processors.

Rigoberto Lopez, Benaissa Chidmi and Ron Cotterill are collaborating on research issues pertaining to retail market power across U.S. milk markets.

**William Putsis**  
*(London Business School)*

Bill recently accepted a full professorship in marketing at the University of North Carolina. He will continue as a joint appointment with London Business School. Bill continues to work with Ron on private label and market channel issues.

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

Richard and Dan Lass gave a presentation "Results of the Agricultural Marketing Performance Initiative Survey" to the Annual New England Farmers Direct Marketing Conference, Manchester, New Hampshire, February 27, 2001. Their results were from an alternative marketing survey from over 3,000 Massachusetts farmers regarding their use of farm stands, farmer’s markets, agrotourism and other direct marketing activities.

Richard and Dr. Ed Jesse (University of Wisconsin-Madison) will direct a thesis by Matt Lambert, a Master's student at UMass, on the cranberry industry. Dan Lass and Nathalie Lavoie will join the research team and serve on Matt's thesis committee.

UMass Master's student, Matt Palmer, will write a thesis on the recent changes in the milk industry as consolidation continues and the Northeast Dairy Compact's future is in question. Richard will chair his committee, and Dan Lass and Nathalie Lavoie will also serve on his committee.

Richard has agreed to serve on an expert panel chosen by the US General Accounting Office (GAO) to evaluate the factors affecting the prices received by domestic cattle producers and producers’ incomes. The U.S. General Accounting Office (GAO) is conducting this study as part of a congressional request to review economic models used by the U.S. Department of Agriculture and the U.S. International Trade Commission. They use the Delphi Procedure to collect and organize information provided by approximately 40 experts.

Richard has been invited to return to Zaragoza to teach in the “Agro-Food Marketing” post-graduate course at the Instituto Agronomico Mediterraneo de Zaragoza in November 2001. Richard has been
asked to lecture for two weeks on "Institutions, Associations, Cooperatives, and Future Markets in Agricultural Markets."

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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:

Promo, Promotion Marketing Worldwide, November 1997-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


