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Executive Summaries

RESEARCH

What Adds Value in Specialty Coffee? Managerial Implications from Hedonic Price Analysis of Central and South American E-Auctions

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The specialty coffee market has grown dramatically since the 1980s which is consistent with the trend in specialty foods. Specialty coffee E-auctions have changed the roaster's procurement information and decision making since the coffee price and quality information is fully disclosed. We analyze this information by estimating hedonic price equations for two types of e-auctions: small and large volume; the data contains 624 observations for the Cup of Excellence and 57 observations for the Q auction. By examining what makes specialty coffees different from the commodity coffees and different among themselves we compare the mainstream and specialty business models and draw implications for supply chain managers. Results indicate that the two auctions trade in specialty coffees that are valued differently by their respective market segments. The value added through product differentiation is larger for the Cup of Excellence than for the Q auction. Both markets obtain price premiums over the commodity price. The Cup of Excellence e-auction reveals a significant amount of information about the values associated with coffee ratings, rankings, quantities available, and country reputations. In the Q auction, information on coffee quality is more limited and tends to be remunerated to a lesser extent than in the Cup of Excellence coffees. We conclude that in the specialty coffee model the grower is the major player in producing the desired quality attributes. The role of coffee roaster managers' is to exploit this value added through procurement strategies that preserve the origin information. On the marketing side, their role is to transmit the information to consumers to capture their effective demand for the attributes, both material and symbolic.

Economic Analysis of Incentives for Foreign Direct Investment in Beef Systems in Argentina and Uruguay

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The European Union's (EU) ban of hormone-treated beef products in 1989 has virtually eliminated beef exports to the EU from countries where cattle are routinely implanted with growth hormones, such as the United States (US) and Canada. This study examined whether or not foreign direct investment (FDI) in beef systems in Argentina and Uruguay (countries where it is illegal to implant cattle with hormones) would provide a profitable alternative method for investors to export beef to the EU.

One objective of this research was to examine the potential profitability of FDI in the beef systems of Uruguay and Argentina. A second objective was to assess the risk to FDI resulting from the impact of government policies and foot-and-mouth (FMD) outbreaks. These events included the effects of government policies such as currency devaluations and export taxes as well as animal disease outbreaks like FMD which have led to either the cessation or significant reduction of beef exports from Argentina and Uruguay. The findings suggest that cattle production (cow/calf, grass fattening, and feedlot) segments of the marketing chain are competitive markets with long-run economic returns apparently equal to zero. Meat packing, especially for export, appears to offer the best alternative for FDI. However, government intervention injects substantial risk for investors in Argent

EU-China Agricultural Trade in Relation to China's WTO Membership

Jyrki Niemi and Ellen Huan-Niemi

China is turning into one of the world's largest and most lucrative food markets. As the incomes of China's 1.3 billion people and urbanisation rates continue to rise, demand for quality, health and environment conscious food products will escalate. Domestic production will eventually be unable to meet the exponential growth in demand due to rising food consumption, marked changes in the composition of diets and continued stress on China's natural resources due to water scarcity and land degradation.

This paper examined China's agricultural imports in regard to income growth, import price changes, and tariff reductions due to China's trade liberalisation. More specifically, it attempted to model behavioural relationships in the agricultural trade between China and the EU by using annual trade data from 1986 to 2005. Econometric models were constructed for six agricultural products exported from the EU to China: frozen pigmeat, frozen fish, whey, barley, beer, and wine.

Imperfect competition arising from product differentiation underlies the theoretical framework of this paper. Price of the product is an obvious and often the most important factor affecting an importer's purchasing decisions. Nevertheless, the importer does not necessarily purchase all of its agricultural products from the least expensive supplier. There are other factors affecting the trade flows of agricultural products such as qualitative characteristics - brand image (for luxury goods), brand names and cultural background (marketing), quality, delivery time, reliability of

supplies, packaging - and established relationships (e.g. cultural, historical or political ties between trading partners).

The examination of the price elasticities confirmed the expectation that demand for Chinese agricultural imports is relatively inelastic to absolute price changes. However, Chinese importers are sensitive to relative price changes on a product basis due to price competition among suppliers. Chinese importers will seek for the cheaper products among the foreign suppliers. The estimations implied that the exporter's market share in China is influenced by price competition. The results support findings that EU companies wanting to compete on price in the Chinese market will need to produce goods in China itself in order to be cost-competitive.

China's WTO accession and deeper integration into the world economy present a range of opportunities and challenges for EU exporters. The results suggested that tariff reductions do not have an important role in changing the quantity of EU exports to China. China's import demand analysis suggested that income growth effects play a dominant role in determining China's import demand for agricultural products, both in the short and long term. Rapid income growth has fuelled most of China's increased appetite for imported agricultural products. Strong economic growth is the major force behind the increasing buying power of the Chinese consumers.

Fruit and Vegetable Consumption among College Students in Arkansas and Florida: Food Culture vs. Health Knowledge

Christiane Schroeter, Lisa House, and Argelia Lorence

Many factors impact a person's food choice, from age to culture, from income level to tradition, from location of residence to health knowledge, and the list goes on. The impact of culture on food consumption can not be understated, yet it is rarely considered in agricultural economics and agribusiness literature. In the agribusiness industry, combined with the importance of relating food consumption and culture, is the issue of understanding food consumption for health. The increasing prevalence of obesity has led to debates on how to reverse the trend of increasing body weights, especially among children, adolescents, and young adults. Policy makers are increasingly interested in determining whether and to what extent a relationship between health knowledge, food consumption, and obesity among college students exists. Unfortunately, current evidence on the interaction of food culture and health behavior of college students is limited and no data is available regarding college students in Arkansas and Florida. The objectives of our study are to determine the impact of (1) demographics, (2) dietary and health knowledge, and (3) food culture on fruit and vegetable consumption of college students by developing a model consistent with economic theory. Data was collected via online surveys with undergraduate and graduate students enrolled at Arkansas State University and University of Florida. Statistical significance tests were applied to analyze relationships between students' responses to perception, knowledge, and culture/tradition questions with respect to their demographic

characteristics. This study provides information the impact of a) health knowledge, b) food culture, c) subgroup differences by region, college major, gender, and urban-rural location on fruit and vegetable consumption of college students. Understanding the antecedents to consumption for products like fruits and vegetables can lead to more effective decisions by agribusiness firms, policy makers, and organizations interested in decreasing the trends to obesity.

The Role and Success Factors of Livestock Trading Cooperatives: Lessons from German Pork Production

Ludwig Theuvsen and Annabell Franz

Meat supply chains are complex networks that have been undergoing major changes resulting in stricter vertical coordination. Many authors expect competitive advantages of stricter vertically coordinated supply chains. Unfortunately, these arguments do not take into account the complexity of today's meat supply chains and the pivotal role livestock traders still play in many countries. Against this background, we analyze the role and success factors of livestock trading cooperatives in meat supply chains. More specifically, we focus on the following research questions: What role do livestock trading cooperatives currently play, how do they perceive their roles, what do they consider their success factors, and how do farmers perceive the role and success factors of trading cooperatives?

The study is based on an empirical analysis of livestock trading cooperatives in German pork, beef and turkey production. Questionnaire-based telephone interviews were conducted with 65 managing directors in 2005 and 2006. The questionnaire focused on the cooperatives' purchasing and marketing channels, service spectra and success. The survey was mirrored by interviews with 357 farmers, who were asked the same questions as the managing directors.

The results show that the cooperatives experience heavy competition from alternative marketing channels. Furthermore, managing directors' and the farmers' perception of the roles livestock trading cooperatives play are significantly different. Twelve organizations surveyed meet the criteria of a successful cooperative trader: growing or constant number of members and slaughter animals marketed, and positive or neutral perceptions of their own economic prospects. Livestock trading cooperatives are most successful when their service spectrum meets members' needs and offers an added value to farmers. Successful organizations offer a broader spectrum of services, whereas less successful organizations either offer fewer services or operate costly and, in many cases, unprofitable slaughterhouses. But, even in successful organizations, service spectra embrace mainly the traditional core functions of livestock traders, such as bargaining with abattoirs or organizing animal transport. With the support of farmers' quality assurance activities as the only exception to the rule, innovative services are still quite rare.

The study suggests that the cooperatives' service spectrum is a major source of competitive advantage and that the organizations should establish themselves as

preferred service providers to farmers. The study also highlights the need for cooperatives to improve their image, better communicate their services to members and intensify their supplier relations. Furthermore, livestock trading cooperatives are in most cases small compared to rapidly growing abattoirs. Therefore, more horizontal cooperation as well as mergers can be ways to improve the competitive position of traders. Last but not least, the cooperatives may consider professionalizing their management in order to cope more successfully with demanding meat markets.

From a theoretical perspective, the results suggest that there may not be “one best way of organizing” meat supply chains, whether open markets, contracts or vertical integration. The successful organizations show that, despite some theoretical doubts in transaction cost economics, livestock trading cooperatives may have a future in meat supply chains as long their service spectra offer an added value to farmers.

EXECUTIVE INTERVIEW

International Trade, Consumer Behavior and Trust: Factors Affecting Agribusinesses in Developing Countries

Ingrid Fromm and Bonani Nyhodo

Executive Interview: Ronald D. Hampton

Chair and Associate Professor of Marketing University of Nebraska

With the increasing complexity of global food systems, producers in developing countries are faced with challenges associated with market access to developed and other developing countries. There is clear evidence that the fastest growing developing countries are the ones engaging in trade and participating in the global market. The difficulty for developing countries, especially Small and Medium Enterprises (SMEs) in those countries is the logistics and agreements needed to enter international markets and benefit from trade. Global production networks are becoming extremely complex. Arms-length trade is now confined to commodities with low returns, thus access to high-income yielding activities requires participation in global value chains. Over the past decades, the global food system has concentrated in the hands of a few large companies. All these changes raise questions about market structures, market power, and strategies for small-scale agribusinesses in developing countries to insert themselves into the global food system. This paper summarizes the interview conducted with Dr. Ronald D. Hampton, Chair and Associate Professor of Marketing and Director of the Agribusiness Program at the University of Nebraska in Lincoln. Dr. Hampton has ample experience in international marketing, marketing management, retail management, leadership, and consumer behavior. The objective of this interview is to gain a better understanding of factors affecting small-scale agribusinesses in a context of international trade. This interview took place during the 17th Annual World Forum and Symposium in Parma, Italy in June, 2007.