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Jeffrey Dorfman, *Economics and Management of the Food Industry* Dorfman Jeffrey, *Economics and Management of the Food Industry* Routledge, series “Routledge Textbooks in Environmental and Agricultural Economics”, 2014, 202 pages

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Jeffrey Dorfman, *Economics and Management of the Food Industry*

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One needs to be practical and in touch with the real-life situations when lecturing in a Graduate Institute. In this sense, micro-economic textbooks are often inadequate for explaining to students the issues at stake in the sectors that concern them, providing few illustrations of real cases. Jeffrey Dorfman offers final-year Honours and first-year Masters students a book that presents economic and management concepts applied to the food industry, painting a broad vista of the issues involved in the food industry.

Dorfman explains to students practical tools that they can use in their future jobs (chapters 2, 3, 12 and 14). Chapter 2 explains in detail how engineers can construct a cost function on a processing plant, specifically emphasising the cost of labour. In chapter 3, future sellers and buyers learn how to determine ingredients' purchase prices or finished products' selling price to meet their company's target margins. In chapter 12, Dorfman presents the features of a restaurant's financial strategy. In the food service industry, good manager deals with, in one hand, controlling the main costs—labour and food products—and, on the other hand, setting the price of the menus on offer. He reminds the reader of financial analysis concepts to assess the restaurant's financial health. In chapter 14, he presents the steps when planning to launch a new product.

The book then considers companies' different strategies (chapters 5, 6, 7, and 9). Chapter 5 deals with storage strategies, discussing how managers balance their decisions between selling their product immediately and stocking it in the hope of higher future gains. Chapter 6 relates to plant location. Dorfman then explores how distance from a processing plant influences the value of farm's products. Chapter 7 discusses price risk management strategies. First of all, the author describes contracts that manage market risks such as futures contracts and forward contracting, he mentions two methods to set prices (fixed prices and prices calculated using public indexes). He then discusses vertical integration. Lastly, he briefly addresses production risk management. In chapter 9, Dorfman illustrates discrimination practices by listing consumer characteristics that can lead companies to develop distinct prices for the same product.

Lastly, Dorfman explores more general issues (chapters 4, 8, 10, 11, 13 and 15). Chapter 4 enlightens readers about the basic mechanisms of international trade. He first gives a graphic explanation and second, he develops an initial mathematical analysis of interregional trade. At the end of the chapter, he gives a brief description of tariffs and non-tariff barriers

in international trade. He clarifies the implications of multilevel markets (agricultural raw materials, intermediate products and finished products) on market equilibrium in chapter 8. Chapters 10 and 11 are purely theoretical, as Dorfman explains the basics of imperfect competition and spatial competition. The last two chapters present food retailing (chapter 13) and the organisational features of the food sector such as agricultural cooperatives (chapter 15).

This book mainly contributes to improve students' knowledge of company management and market functioning. Furthermore, it provides a well-balanced combination of practical approaches that students can rapidly put into use and theoretical concepts so that they can understand the economic mechanisms at work. The book therefore offers a sound introduction to economic and management issues for students starting an education program for working in the food industry.

However, as this book addresses broad questions, Dorfman cannot tackle the various subjects in depth. I first think that a "for more information" section with economic and management references would have been useful at the end of each chapter. Moreover, he addresses the question of strong uncertainty in quantity and quality too succinctly, in the chapter on risk management (chapter 7). This uncertainty is a major feature of the food industry as it complicates manufacturers' forecasts. In addition, the seasonal and perishable nature of agricultural production makes it difficult to use classic planning models since the storage of agricultural production only partially mitigates demand variability and transport delay. Furthermore, in the chapter 10, the author does not mention the issues at stake for food industry chains such as profit sharing and their diverse vertical organisation. He presents a few examples of violations of competition law but does not show how difficult it is for the various stakeholders to coordinate themselves in order to improve the performance of the food industry without breaking competition law.

Dorfman's book does not mention companies' strategies for innovation or quality differentiation (brands, labels, *etc.*). Although today, consumers have higher expectations on food products such as stringent hygiene, health and environmental criteria. This is why public authorities have not only developed minimum quality standards for the entire food chain but processing firms and retailers have also reinforced their standards.

Besides having attempted to cover all the issues involved in the food industry, the merit of Dorfman's book lies in the fact that he has combined economics and management, which is all too rarely done. The author could also have taken each theme further – or does this suggest a second volume would look at each subject in more depth? For example, the chapter on the economics of storage could use inventory models that would shed welcome light on a company's decision-making process between a costly storage and the risk of unsatisfied demand when demand is stochastic.

To conclude, I believe this book will interest students who wish to pursue their training in the food industry so that they can learn about the economic and management issues that arise in this sector. The book can be used to initiate discussions and debate between students and their lecturers through the numerous examples that Jeffrey Dorfman provides.

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