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Fall Symposium Discusses the Causes and Consequences of Rising Food Prices

On October 23rd, The Food Industry Center and the Center for International Food and Agricultural Policy hosted the *Future Food Scarcities? Global Causes, Local Consequences* symposium at the McNamara Alumni Center on the Minneapolis Campus. The purpose of the Symposium was to bring together leaders in the food industry, food policy makers, academics, students, and the interested public to discuss the causes and consequences of rising food prices and to explore their impact on food supplies, food companies, consumption, health, and public policy in the United States and around the globe. Over 130 people attended the day-long event that included speakers and perspectives from a variety of viewpoints along the food supply chain. To see presentations and video from the symposium, visit <http://foodindustrycenter.umn.edu/pastevents>.



Ettinger

In his **keynote speech**, **Jeff Ettinger, Chair, President, and CEO of Hormel Foods Corp.**, provided the perspective of a food manufacturer in a world of growing food demand and rising costs. He said "...companies must find new ways to serve their customers and their shareholders,

with both existing products and new products, domestically and internationally, investing more in research and development, and by finding efficiencies." Ettinger also called for restructuring public policies that increase reliance on food as an energy source; there is a need to develop alternative fuels that do not pit our energy needs against affordable food and environmental sustainability.

Co-Director and Professor Ben Senauer and Wells Fargo Agricultural Economist Michael Swanson began the morning session by discussing how the increased demand for food in emerging nations and the rising cost of energy (oil) played large roles in the past year's higher food prices. Since corn is the largest cash crop that drives



Swanson

the agricultural world, a spike in its demand and price has rippled throughout the food sector. As a result, U.S. consumers will notice the increased cost of food and will adjust to buying more basics. Globally, higher food prices will increase the number of people suffering from hunger.



Martin

Will Martin, a researcher from the World Bank and Applied Economics Professor **Phil Pardey** discussed the impacts higher food prices have on the poor in developing countries. Contrary to what many think, many poor farmers are net buyers of food and do not necessarily benefit from higher food prices. Dr. Pardey

focused on the recent, and apparently widespread, decline in the rate of growth in staple crop yields, and the importance of reviving lagging growth rates to feed an ever growing world population. Reinvesting in agricultural R&D will be key to turning around this productivity slowdown. To wrap up the morning session Applied Economics Professors Paul Glewwe, Terry Roe, and Brian

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UPCOMING EVENTS

How Safe is our Food Supply? Expectations, Technology, and Regulation

Thursday, April 1, 2009
Great Hall, Coffman Union
University of Minnesota,
Minneapolis Campus

2009 James P. Houck Lecture on Food and Consumer Policy

Rebecca Blank,
Robert S. Kerr Senior Fellow
Brookings Institution
April 27, 2009

University of Minnesota, St. Paul Campus

Co-Director's Column

Rand Park, who has been an integral part of the Center's leadership since January 2006, has moved to a new position at the University of Minnesota. Rand is now the Director of Corporate Relations for the Carlson School of Management (CSOM). Although those of us at TFIC will miss Rand's cheerful presence, we are very pleased about his new opportunity. And as Rand has said, "I'm just a phone call away."



Kinsey



Senauer

enthusiastically and effectively to every Center activity and provided sound input at leadership discussions.

TFIC plans to build on Rand's new position to strengthen our ties with the Carlson School of Management. The Food Industry Center and the Carlson School of Management share a history of research and collaboration going back to the Center's inception. With founding money from the Alfred P. Sloan Foundation as an Industry Study Center, TFIC supported numerous food-focused research projects conducted by CSOM faculty as well as faculty who have, and still do, serve on the Center's Academic Leadership Board and participate in our events.

We look forward to this continued relationship with the Carlson School of Management and Rand to support food industry research and emerging leaders.



Park

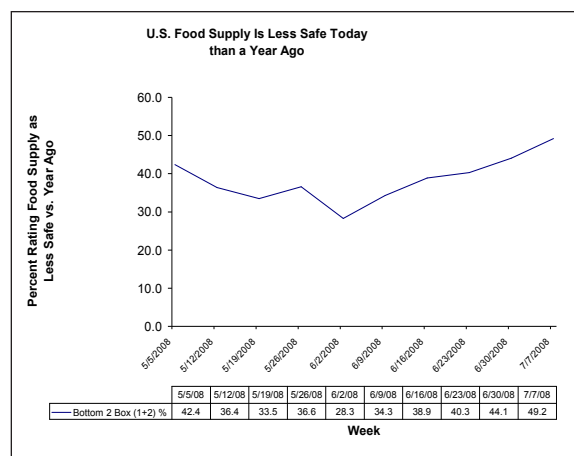
Rand joined TFIC and the College of Food, Agricultural, and Natural Resource Sciences as a Development Officer, and quickly became an indispensable part of the Center's staff. It was thanks in large part to Rand's efforts that the Center was able to build its industry sponsorship program. He also acted as a principal liaison with our top industry advisory group, the Board of Executives. Rand contributed

Tomato/Jalapeno Recall Followed by Increase in Consumer Concern over Food Safety

Preliminary results from The Food Industry Center's Continuous Food-Safety Confidence Tracking Initiative are showing a responsive relationship between food recall incidents and consumer confidence in the food supply. One of the study's key measures showed the June 2008 recall of tomatoes and later jalapeno peppers (due to an outbreak of salmonella) prompted the public to rate the U.S. food supply as being less safe than before the incident. The measure comes from a survey question asking consumers to rate whether they feel that the U.S. food supply is safer today than a year ago, using a 6 point scale where 1 is definitely less safe and 6 is definitely safer. The percent indicating either a 1 or a 2 (less safe) rose from a low of 28% the week prior to the incident to 49% in the fourth week as the incident unfolded (see figure 1).

It is also interesting to note that consumer concern over the safety of the U.S. food supply started out relatively high in the initial weeks of May, reflecting what the researchers believe to be the effects of a beef recall earlier in the year due to an incident involving the treatment of cattle. In early March, the

Figure 1:



research team will be introducing a Food Confidence Index that will integrate several measures from the study, including the lack of confidence measure as detailed above. Concurrently, a media tracking index will be issued that will trend media coverage of food safety/defense events as they occur in real time. The media index will be a composite of

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Buhr responded to the comments of the morning speakers by raising questions about the complexities of a global of environment of public goods in an integrated market system, the long-term challenges of research and development programs, and the difficulty of planning environments now that both price and policy volatility must be considered. The panelists also pointed to the irony of a lack of rising agricultural productivity jeopardizing health and nutrition on one side of the world, while the other side is trying to decrease the influence of efficient, industrialized agriculture and global supply chains as a way to mitigate global warming and improved health.



Allen

Industry perspectives from both ends of the food supply chain dominated the afternoon sessions with presentations from **Wayne Teddy**, Corporate Vice President at Cargill, **Will Anthony**, Agricultural Economist and southern Minnesota crop and livestock producer, and **Mark Allen**, President & CEO of the International Foodservice Distributors Association. Teddy discussed how greater food demand as well as shocks to the supply have led to not only higher

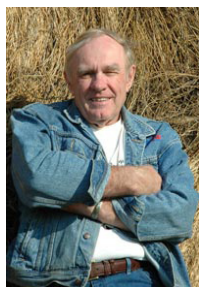


Teddy



Anthony

prices, but to greater volatility for the supply chain. Yet, the supply chain has been profitable, even in this dynamic, stressed environment. Anthony noted that there is an entirely new set of decision makers in the pricing process of commodities and a different set of motives in the current agricultural environment, with little regulation and disjointed policies on basic food production. The foodservice industry, Allen discussed, is facing many challenges including the perception that restaurants do not serve healthy foods, inflated food costs, and legislation and regulation challenges. With rising food and fuel costs, business to restaurants is down and has shifted to the quick service sector.



Kirschenmann

Frederick Kirschenmann, Distinguished Fellow from the Leopold Center at Iowa State University, argued we are embedded in an industrial economy and an industrial culture. As a response, he challenged the audience to think about shifting from a homogenized global food system to a much more regionalized kind of "food shed" system. This idea is entering the thinking of many industry leaders who suspect that we can not continue to outsource and globalize our food distribution chain which depends on cheap oil. As traditional energy resources decline, we will have to find better ways to feed populations on a more regional basis.

Since the October 2008 symposium...

commodity prices (including oil) have fallen sharply with the deepening of the recession, though some of them are well above their long-term average levels. The international market for several commodities, especially dairy, has declined in the face of a global recession and the rising value of the dollar. Excess supplies are building up once again. In the meantime, the food manufacturing sector that absorbed some of the increased costs, eventually raised wholesale prices more than 8 percent by last July. Retail prices have gone up about 6 percent and food manufacturers have worked to eliminate waste. For example General Mills converted all Yoplait yogurt covers to a single color saving over \$2 million in production costs (Star Tribune, 12/2/08). Consumers also noticed a shrinking of container size for many products, an effective price increase. By now, we know that consumer food prices at retail stores rose 6.4 percent in 2008 while in restaurants they rose 4.4 percent. Retail food prices are beginning to come down as consumers are trading down, buying only what they need and know, and cutting back on trips to the store. Retailers are putting pressure on manufacturers to ease prices in this unusual and uncertain recession.



Tomato/Jalapeno Recall continued...

news stories from television, radio, magazines, newspapers, and the Internet. Both indexes will then provide the ability to trace the impact of the media on consumer confidence.

The Food Industry Center and the AgCenter at Louisiana State University are collaborating in the development of the food safety and media tracking initiative funded by the National Center for Food Protection and Defense. The database and econometric models involved will provide a basis for understanding how food safety/defense incidents affect consumer confidence, food demand, and the economy. The research will also be useful in predicting how quickly consumer confidence is restored following such events, and reveal how private media and public communication may mitigate and/or exacerbate the effects of food safety and terrorism incidents. Additionally, it will help in assessing the vulnerability and resiliency of the food sales. Anyone interested in more detail on the Tracking Initiative can contact Dennis Degeneffe, Research Fellow for the The Food Industry Center, at ddegeneff@umn.edu.

The Food Industry Center

Did You Know?

By Jean Kinsey

Health foods?

"The 11 Best Foods You Aren't Eating" by Tara-Parker Pope is designated one of the most viewed articles in the New York Times in 2008. This is evidence that people are seeking advice on how to eat for healthy outcomes. What are these foods? Five of my favorites are blueberries, beets, cabbage, cinnamon, and pumpkin. <http://well.blogs.nytimes.com/2008/06/30/the-11-best-foods-you-arent-eating>

Retail Sustainability Activities?

Whether or not one believes in global warming, engaging in serious "greening" of a retail business was touted at the recent FMI Midwinter Executive Conference, as a good way to "do well by doing good." Many of the new technologies that save waste, energy costs, and water are found to also save money and increase profits to food retailers and distributors. FMI presented a report on "greening" that emanated from a sustainability conference in Beijing and was sponsored by the Coca Cola Research

Council. It is available at <http://www.cccrc.org> and click on "global."

Unemployment?

One of the markings of a recession is the rate of unemployment in an economy. We now stand at 7.6% unemployment. Just as a point of reference, in 1980 we had 10% and in 1933 we had 25% unemployment in the United States.

Stock Market Prices UP for some food retailers

In a year when stock prices fell an average of almost 40%, some food retailers did well. Metro was up 40% for the year 2008; Wal-Mart up 18%; Nash Finch was up 27%; Empire up 14%; Village up 13%; Loblaw up 3%; Spartan Stores up 1.75%; BJ's Wholesale Club up 1.27%; (SN News, 57:21, p. 42)

Prices up in 2008

Producer prices rose 7.2% in 2008 on average, but in 4 food sectors they rose more than 20% (eggs: 20.8%, pasta products 34.3%, shortening and cooking oil 41%, milled rice 63.5%). Food at home went up 5.5% and food away from home went up 4.4% on av-

erage. Following the producer price increase, the categories of food where prices rose the most were eggs, bakery, and fats & oils.

Quiz

Match the titles of the following books about the food system with their authors.

Books:

1. In Defense of Food
2. The Ethics of What We Eat
3. Food Politics
4. The Slow Food Story
5. The End of Food
6. Omnivore's Dilemma

Authors:

- A. Peter Singer & Jim Mason
- B. Michael Pollan
- C. Marion Nestle
- D. Paul Roberts
- E. Geoff Roberts

Answers:

1. B 2. A 3. C 4. E 5. D 6. B

CONGRATULATIONS to Jeff Noddle, CEO and President of SUPERVALU



Noddle

Jeff Noddle received the Herbert Hoover Award at the Food Marketing Institute's Midwinter Executive Conference on January 12, 2009. This award recognizes a leading wholesale or supply executive for humanitarian service in business; it has been given to one or two executives every year since 1961.

Jeff Noddle is on the Board of Executives of The Food Industry Center and has been a leading supporter of the Center for several years. Our hearty congratulations to Jeff for this well deserved award.

New TFIC Publications

Food Accessibility in the Inner City: What have we Learned? A Literature Review, Working Paper #08-01, June 2008

Incorporating Structural Changes in Agricultural and Food Price Analysis: An Application to the U.S. Beef and Pork Sectors, Working Paper #08-02, October 2008

Re-investing in America's Infrastructure: Will it be Easy to be Green?, Working Paper #08-03, December 2008

Castleberry's: 2007 Botulism Recall, A Case Study by The Food Industry Center, August 2008

This publication is available in alternative formats upon request. Please contact Lisa Jore at The Food Industry Center, 317 COB 1994 Buford Ave, St. Paul, MN 55108 or 612.625.7019.