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## Executive Summaries

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### **Country-of-Origin Labeling for Uruguayan Beef**

*Lautaro Perez, Michael Boland, and Ted Schroeder*

Understanding consumer preferences and producing food products that possess characteristics being demanded is essential for profitability of all participants in the agricultural food production and processing industries. This is especially critical for food products that are sold predominantly through export markets. The objective of this research is to identify Chilean consumer attitudes towards COO (Country-of-Origin) labeling, determine the importance of COO, and identify consumers who are most likely to buy COO-labeled beef products from Uruguay. The results suggest that age, number of children at home, whether the interviewee was the primary person responsible for meal selection, and whether interviewees purchased beef from different countries were significant determinants of whether a Chilean interviewee regarded COO as important. Age, income level, beef purchase frequency, and homemaker were significant determinants of whether an interviewee would purchase COO-labeled beef from Uruguay. Uruguayan beef was more likely to be purchased by consumers in the low income category, which suggests that it is price competitive with beef from other countries. Beef is Uruguay's most valuable export and INAC is trying to increase the marketing of beef in countries such as Chile. These results suggest that COO is not a particularly important variable to consumers surveyed in this study. Chile has not had any major food safety problems in recent years which might explain why COO was not as significant in fresh beef as was the case for studies conducted in EU countries. However, the results suggest that consumers do not discriminate based on COO labeling. Rather, continued focus on differentiation and quality are important for improving beef exports.

# **Canadian Consumer's Willingness-to-Pay for Pesticide Free Food Products: An Ordered Probit Analysis**

*Erik Magnusson and J. A. L. Cranfield*

## **The Research Question**

In response to increasing financial pressure, concern over pesticides in agricultural production, and sustainability, agronomists in western Canada have developed a new cropping system. Pesticide Free Production™ (PFP™) emphasizes reduced (and in some cases eliminated) pesticide use, in conjunction with increased reliance on producer knowledge of agronomic practices that mitigate weed, insect and disease pressure. PFP™ lies between integrated pest management (IPM) and organic production.

However, PFP™ differs from other non-conventional production systems in many respects. Consequently, it is difficult to extrapolate research findings from past work to PFP™. Moreover, given its novelty, little is understood about the market for PFP™ food products. This research seeks to answer the question: "How much would Canadian consumers pay for PFP™ food products?" Such information will prove useful in guiding pricing decisions by agribusinesses interested in marketing PFP™ food products, or other food products that emphasize reduced chemical input production

## **Study Description**

A consumer survey was developed and sent to 2,000 homes in three large Canadian cities (Toronto, Winnipeg and Calgary). The survey solicited consumers' stated preferences for different potential PFP™ food products, willingness-to-pay values, and respondent and household demographic, attitudinal and behavioral information related to the PFP™ concept. An ordered probit model was then developed to determine which factors influence consumers' willingness-to-pay for PFP™ food products.

## **Finding/Results**

Results indicate the lion's share (65 percent) of respondents would be willing to pay a one to ten percent premium, while five percent of respondents would be willing to pay more than a 20 percent premium. Factors found to have a positive influence on willingness-to-pay include:

- Concern over the environment,
- Concern over the impact of pesticides on human health,
- Concern over the sustainability of family farm incomes,
- Willingness to switch grocery stores to purchase a PFP™ food product, and
- Youth.

Propensity to try new food products actually worked to reduce the chance that a consumer would be willing to pay a higher premium for a PFP™ food product.

## **Management Implications**

A number of managerial implications arise from this study. First, distribution channels geared towards health food stores (or health food centers within grocery

stores) are likely to prove successful venues when introducing PFP™ food products. Second, marketing efforts should focus on segmenting the market according to concern over health related impacts arising from pesticides in the environment, concern over sustainable agricultural practices on family farms, versus those who are not influenced by such issues. Segmentation such as this will require further research. Lastly, while the average premium is modest, scope exists for high premiums in a niche market. Producers and their representatives will need to further explore the precise nature of this niche to better capitalize on those who are willing to switch grocery stores to purchase a PFP™ food product.

## **Marketing Oregon Grass Seed in China: A Two Decade View**

*Catherine A. Durham, Aaron J. Johnson, Esteban Vega-H*

The purpose of this study was to examine the success of a market development strategy in China undertaken by an agricultural input industry in the US. China is a major market for agricultural products and is viewed as an important destination for agricultural inputs as well. The general expectation is China's importance in global trade will continue to grow with time. Unfortunately, as important as the China market is and will be to global trade of agricultural inputs and products, many firms have reported difficulties in establishing themselves there. A closer look at the approaches used by a successful industry will help other industries and firms prepare themselves for the Chinese market. This study provides an evaluation of historical activities of a successful market development program undertaken by a US based trade association. Management personnel from companies within the industry represented by the association were interviewed about their experiences doing business in China and their comments were evaluated to understand their collective perceptions, and these perceptions were compared to results of an import demand analysis examining the influence of their efforts. Like firms in other industries the interviewed firms experienced problems with contracts and found their Chinese customers to be different in their negotiating styles. They also found Chinese customers to be less knowledgeable than other overseas customers regarding the products they were buying. The industry felt that interactions with government and university leaders in China improved their ability to establish the market in China, and that a testing agreement between the industry and Chinese bureaucrats and research institutions was a key factor in market development. However, the interviewees perceived the training activities were of lower importance than the import demand analysis indicated. Finally, despite some characteristics that correspond to guanxi business practice, current business dealings are coordinated through formal practices such as contractual arrangements. Key characteristics of the successful program include a long-term commitment to the markets and individuals in the markets, as well as training of potential customers.

## **Agribusiness Capstone Courses Design: Objectives and Strategies**

*Charles R. Hall, Gary F. Fairchild, Gregory A. Baker, Timothy G. Taylor,  
and Kerry K. Litzenberg*

Capstone course objectives are wide-ranging, but generally include: (1) integrating functional knowledge from previous courses in management, marketing, operations, finance, human resource management, and sales; (2) applying acquired knowledge to management problems emanating from the firm's internal and external environment; (3) improving written and oral communication skills; and (4) developing teamworking skills in diverse and cross-functional situations.

This paper discusses the benefits of using strategic management principles as the cornerstone for building the agribusiness capstone experience. The necessity for agribusiness firms to create and implement strategies that build a sustainable competitive advantage in turn necessitates the development of strategic management skills in the leaders/managers of the future. As such, the objectives of a capstone course lean heavily toward the integrative development of strategic decision-making competence.

It is clear that capstone courses are critical to the agribusiness student's learning experience, whether at the undergraduate or graduate level. It is also clear that, for a capstone course to achieve the desired outcome, learning activities must be designed, coordinated, and facilitated in ways that differ (often substantially) from most other courses in the agribusiness curriculum. This has a number of implications for the capstone professor in terms of course content, pedagogies, and subsequent measurement of student performance.

The minimal number of available materials written with agribusiness applications and targeted at agribusiness-oriented audiences exacerbates the difficult task of choosing text materials, case studies, and business simulations. Thus, it may take considerable effort for the capstone professor to "agribusiness-ize" course content in terms of both ancillary materials and class discussion.

Teaching strategic-management-related material to undergraduates (neophytes) is particularly challenging given that they have little or no on-the-job experience. Their only exposure to the so-called real world may have come through internships or other types of temporary employment. This puts added pressure on the capstone professor to properly "set the stage" in terms of the application (and importance) of strategic management principles.

Measuring student performance has and will remain categorically challenging. Standard measures of classroom performance are redefined by the very nature of the capstone experience. Perhaps by evaluating students using the same performance measures that are being used by agribusiness firms to evaluate their relative performance, the expected outcomes may be measured more accurately and reflect what will be expected from students after graduation.

## **Factors Affecting International Mergers and Acquisitions**

*Md. Ashfaqul Islam Babool and Michael Reed*

The purpose of this paper is to investigate the factors that explain outward and inward merger and acquisition (M/A) activity for a country. A model is developed that explains M/A activity, rather than greenfield investment. The variables used to explain M/A activity include the exchange rate, interest rate, and stock market prices. Regression analysis is used to isolate and clarify the effects of these three factors for aggregate M/A activity and M/A activity within the food, beverage, and tobacco industry.

The conceptual model used in this analysis is similar to the capital budgeting model developed by Vasconcellos and Kish (1996). A general net present value from an acquisition (abstracting from foreign currencies) is specified where initial cost of the investment is subtracted from the value of all future cash flows. A double log regression equation form is used in the estimations.

The regression model is fitted for aggregate M/A activity and M/A activity in food, beverages, and tobacco (FBT). The countries included in the aggregate M/A activity are the U. S., Australia, Canada, France, Germany, Japan, and the United Kingdom. Data are available for these countries for 1987 - 1999. The analysis for FBT was more limited due to data availability. Data could only be obtained for the U.S., the European Union, and South, East, and Southeast Asia (inward only for the Asian countries) for the 1987 – 1999 period.

The analysis shows that three variables, the exchange rate, interest rate, and stock prices, are quite important in explaining variations in M/A activity by country. Exchange rate changes in particular have a very elastic impact on outward M/A activity, indicating that price effects are important in determining outward investment flows. A 1% appreciation of a country's currency will increase its outward M/A flows by almost 4%. The interest rate had a negative impact on M/A in the inward and outward M/A models with M/A outflows decreasing by about the same percentage that interest rates increase.

The analysis consistently finds two effects of exchange rate and stock price changes on inward M/A activity. The first is the price effect, which naturally flows from the capitalization framework used in model development. As the exchange rate in a foreign country depreciates or its stock market falls, its companies become more affordable to potential foreign buyers. However, these two variables also indicate the confidence that investors have in the country's economic future. As such, a counteracting impact is that a strong exchange rate and stock market attract M/A activity towards a country. We find that this later affect dominates for aggregate M/A activity, while the former affect dominates for FBT activity.

Another important finding for the FBT sector is that potential buyers are more price conscious for FBT purchases than they are for other M/A activities, so the price effects of the exchange rate and stock market dominate for inward M/A

activities. Inward M/A activity for FBT are also found to be quite sensitive to interest rate movements.

## **RISE, a Tool for Holistic Sustainability Assessment at the Farm Level**

*Fritz Häni, Francesco Braga, Andreas Stämpfli, Thomas Keller, Matthew Fischer, and Hans Porsche*

The present paper introduces a tool, the “Response-Inducing Sustainability Evaluation” (RISE), which allows an easy assessment at the farm level. It is system-oriented and offers a holistic approach for advice, education and planning. The model covers ecological, economical and social aspects by defining 12 indicators for Energy, Water, Soil, Biodiversity, Emission Potential, Plant Protection, Waste and Residues, Cash Flow, Farm Income, Investments, Local Economy and Social Situation. RISE has been tested and used to evaluate very different farms in Brazil, Canada, China and Switzerland. Results are considered relevant with regard to the objective stated. Further testing, adaptation and fine-tuning continue. A similar model covering the supply chain to the factory gate is also under development.