



***Quarterly
Report***

***to USDA Rural Development
Agricultural Marketing
Resource Center (AgMRC)***

January 1, 2007 – March 31, 2007

Submitted by Iowa State University, Kansas State University
and the University of California.

Center for Agricultural and Rural Development (CARD)

Iowa State University

Second Quarter Report

January 1, 2007 to March 31, 2007

Goal #1

Create and promote an electronic, Web-based library with powerful search capabilities to make value-added information and other resources available to producers (includes web site development and functions). Provide electronically available information and resources on value-added markets and industries including a wide variety of commodities and products (this includes the Commodities/Products and Markets/Industries sections of the Web site).

Goal #2

Provide value-added business and economic analysis tools, including information on business principles, legal, financial and logistical issues (information contained in the Business Development section of the Web site).

Goal #3

Conduct research and analysis on economic issues facing producers involved in value-added business ventures (this includes research activities on all topics included at the Web site).

Goal #4

Conduct outreach activities to disseminate the research and information assembled and developed under the previous three goals. These activities are designed for producers, producer groups, businesses and others involved in value-added agriculture (this includes all outreach activities of the Center including workshops, seminars, newsletters and other delivery methods including individual client requests for specific information).

Iowa State University Extension

Iowa State University

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The Web site generated more than 10.9 million hits from January through March and more than 315,812 combined visits during that period. The site averaged 105,270 visits per month and 3,511 visits per day. Each month saw an average of 41,254 downloaded files from the site.

Updated Commodities & Products

The following pages were updated: agritourism, alligators, American eel, apples online, apples organic, bass, bees, bluegills, camelina, cherries, fin fish, golden shiner, koi, lamb commodity, lamb direct marketing, lamb international markets, lamb organic, lamb wool, onions, pork certified/verified, pork commodity, pork direct marketing, pork foodservice, pork international markets, pork natural, pork niche/ethnic, pork organic, pork processing, poultry – ducks and geese, rural weddings, soy – azuki & edamame beans, soy – organic, soyfoods, sturgeon, teff, tilapia, walleye, white corn, wind energy and yellow perch.

Work continues on commodity profiles for dates, eggplants, figs, chickpeas and culinary herbs. Additional work began to expand profiles for the various food and energy segments profiled in the Markets and Industries section.

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New Information Files Created

- Valuing Manure
- Setting Your Price
- Assessing Agricultural Processing Investment Opportunities
- A Financial Lender
- Marketing Strategies
- Managerial Attitudes
- New Ways of Thinking About your Farm Business

New Section Created under “Getting Prepared”

- Economic and Business Analysis Concepts

New Information Files Created under this section

- Barriers to Entry and Exit
 - Breakeven Sales Volume
 - Breakeven Selling price
 - Commodities vs differentiated products
 - Demand
 - Economies of scope
 - Economies of size
 - Elasticity of demand
 - Experience curve
 - Managerial costs
 - Opportunity costs
 - Product Life Cycle
-
- Revised 12 cover page files
 - Revised 11 Information Files
 - Decision Tool added (spreadsheet)
 - Manure Calculator
 - Cash Flow Budgeting Tools
 - Added 17 new links to outside sources and edited links
 - Created new 2 new sections in the presentations section
 - Iowa's leadership role in the Bioeconomy
 - 4 webcasts added
 - Alternative crops & policies for bioenergy
 - 6 webcasts added
 - Added section entitled Value-added Agriculture Centers (with links to outside sources) – under value-added agriculture – main link
 - Complete remapping of links from Iowa Business Network
 - Approximately 50 links to the website

Highlights of quarterly work

Assessing Agricultural Processing Investment Opportunities is a check list to help analyze whether an investment in a value-added business is right for an individual. The questions it asks can help a person see if there is the right leadership and financial support for the business.

The new section on Economic and Business Analysis Concepts explains basic business concepts for individuals who may be new to the business environment or need more explanation of concepts they may have heard but are not familiar to them.

Current projects in this area are focused on biorenewable energy. These projects include looking at ethanol basis, and livestock feed requirements and where the supply of feed will come from.

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Trade Show Promotions/Outreach

Staff attended and manned a booth at numerous trade shows to continue development of a user base. The following table represents programs, events and outreach either funded by AgMRC, designated by a * or represented AgMRC as match dollars through staff time and travel dollars.

Jan. 12-13	Practical Farmers of Iowa Conference	Ames, IA	Madeline Schultz and Margaret Smith attended and manned a booth.
Jan. 25-26	Iowa Fruit and Veg Growers	Marshalltown, IA	Connie Hardy and Malinda Geisler attended the meeting and Geisler spoke about AgMRC and Market Maker.
Jan. 26-27	Overall Women Conference	Coralville, IA	Hardy spoke on behalf of AgMRC.
Jan. 26-27	Midwest Value-Added Agriculture Conference	Red Wing, MN	Schultz and Dan Burden attended and spoke on behalf of AgMRC.
Feb. 3-5	Midwest Grape and Wine Conference	Osage Beach, MO	Hardy attended and promoted AgMRC at this event.
Feb. 6	VAAP Workshop: Focus on Fruits and Vegetables	Nevada, IA	Schultz, Marsha Laux and Smith organized and presented opportunities in fruits and vegetables for Iowa producers. Presentations included business planning, Market Maker tools, AgMRC as a resource and in-depth presentations on fruits and vegetables in demand by Iowa distributors, farmers markets and restaurants.
Feb. 8	VAAP Workshop	Atlantic, IA	Description same as Feb. 6
Feb. 9-10	Iowa Wine Growers Annual Conference	Hotel Fort Des Moines, IA	Craig Tordsen presented on feasibility templates and videos created and available through AgMRC.
Feb. 13	Senate Ag Committee Testimony	Washington, D.C.	Mary Holz-Clause was asked to

			testify before the Senate Ag Committee Hearing on the importance of the value added producer grant program and the impacts on agriculture nationally.
Feb. 13	VAAP Workshop	Mt. Pleasant, IA	Description same as Feb. 6
Feb. 15	VAAP Workshop	Spencer, IA	Description same as Feb. 6
Feb. 16-17	Minnesota Grape Growers Assn – Cold Climate Grape & Wine Conference	Bloomington, MN	Tordsen and Hardy attended. Tordsen organized a pre-conference session on feasibility templates with more than 150 in attendance.
Feb. 21	VAAP Workshop	New Hampton, IA	Description same as Feb. 6
Feb. 22-24	Upper Midwest Organic Farming Conf.	LaCrosse, WI	Smith presented a research project partially funded through AgMRC on organic grassfed beef budget models.
March 1-2	USDA Ag Outlook Forum	Arlington, VA	Ray Hansen and Schultz attended and displayed a booth on AgMRC at the conference.
March 6-7	Holistic Management workshop	ISU Memorial Union	Smith coordinated and led this workshop on sustainable agriculture practices.
March 8	Iowa Agritourism Working Group	Des Moines, IA	Geisler and Christa Hartsook organized and led the formation of a working group of service providers for Iowa agritourism operators.
March 8-18	Croatia evaluation & follow-up	Croatia	Burden traveled to Zagreb, Croatia to speak on AgMRC in the United States and how a Croatian version could benefit Croatian producers. This travel was funded through a separate grant opportunity.
March 11-15	Exploring Leading Practices	New Delhi, India	Holz-Clause and Reg Clause traveled to India to research the formation of Extension systems and outreach in the country. Travel was paid as a part of this grant.
March 13	Bridging the Gap	Vinton, IA	Hardy organized and led a workshop educating producers on forming contacts with distributors, including contracts, pricing, business development and more.
March 16	Bridging the Gap	Coon Rapids, IA	Description on March 13.
March 16-17	Wine Business Conference	DMACC Ankeny, IA	Tordsen attended and spoke on business development practices for

			new wineries.
March 29	Web Development for Agricultural Businesses	Tama, IA	Hartsook spoke to 50 agricultural businesses on the importance of an Internet presence and resources for assistance in establishing an online marketing site.

Client Requests

Staff researched and responded to 88 e-mailed questions this quarter.

During this quarter there were a total of 115 toll free phone inquiries to AgMRC from 20 different states. Each call was assisted by directing them to Web site resources for information, forwarded to specialists for additional assistance or provided answers to clients.

Additional Public Relations

The Spring issue of the AgMRC Action newsletter was distributed via e-mail and made available online. The 10-page newsletter is sent bi-monthly to a list of 2,000 names comprised of producers in value-added agriculture, service providers, media and others. Each newsletter consists of an article from one of the partnering organizations in AgMRC, a state profile to give a snapshot of value-added agriculture in certain areas, new research and other updates added to the Web site in the past month, a value-added agriculture business profile and a calendar of upcoming value-added agriculture events.

Features in the newsletter included cultivating energy agriculture, careful analysis of business opportunities, soyfoods, the U.S. ethnic market, wool production in the United States and web updates to www.agmrc.org.

A marketing push was sent via mail. A letter re-introducing AgMRC and several brochures were sent to rural development specialists and state extension specialists in all states.

Kansas State University

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Nothing to report at this time.

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Began linking VAPG database to RBOG/RBEG recipients.

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Staff began case studies on Riceland, Sunsweet, Valley Fig Growers, and Treetop.

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Kansas State University staff conducted director development workshops in Colorado, Missouri, Indiana, Illinois, Ohio, Michigan, and California.

Agricultural Issues Center University of California

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Writing of summaries of our research findings (see Goal 3) and their postings on the website has been ongoing. In addition UC AIC worked on tobacco and wine and winegrape commodity profiles for the Web site.

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Commodity Profiles (Hayley Boriss, Christopher Gustafson, Daniel Sumner and Marcia Kreith, University of California)

Major effort has gone into drafting iterations of the tobacco and wine and winegrapes profiles. We anticipate finalizing these national industry profiles in the next quarter. The wine and winegrape profile also includes an overview of recent legal issues on interstate shipment.

The Measure of Agriculture and the Contribution of Agriculture to the Economy

(Daniel Sumner, Hayley Boriss, Henrich Brunke, Marcia Kreith, Kurt Richter, Omid Rowhani and Laurie Treacher, University of California)

Reformatting and rechecking of revisions continued.

Agricultural Exports (Omid Rowhani, Daniel Sumner, Laurie Treacher, Marcia Kreith University of California)

We revised, formatted and completed an issues brief summarizing our findings on California agricultural exports in 2005. The Issues Brief will be made available for AgMRC posting this month. Our figures show that California exported over \$9 billion in agricultural goods in 2005, a 13 percent increase from 2004.

Antibiotic Resistance in Livestock Production Systems and Antibiotic Regulation (David Kennedy and Julian Alston, University of California, Davis)

The routine use of antibiotics in animal production is thought by some to be a leading factor in the development of antibiotic-resistant bacteria in food animals and in subsequent transfer of antibiotic resistance to humans. After conducting a thorough review of the literature on the epidemiology of

antibiotic resistance, the project developed a framework for evaluating a policy in the United States designed to improve human health by eliminating nontherapeutic use of antibiotics in food animal production, and it investigated consumer demand for antibiotic-free meat.

Cost of illness estimates were derived for antibiotic-resistant *Campylobacter* and *Salmonella* as compared to the overall cost of infection with these bacteria. The study found no clear evidence that banning a particular use of antibiotics in food animal production would have a positive effect on antibiotic-resistant infections in humans and it found a ban could have negative consequences if producers substitute critical therapeutic antibiotics for less critical nontherapeutic antibiotics. Results from the model developed for the study indicate that consumers might actually prefer to purchase conventionally produced meats given the possibility that antibiotic-free products may have higher concentrations of bacterial contamination that could lead to greater risk of foodborne infection.

Furthermore, results from the researcher's model of differentiated products indicate that, even under fairly optimistic assumptions about consumer willingness to pay a premium, the market for antibiotic-free beef will remain relatively small. Therefore it is unlikely that consumer demand for antibiotic-free meat alone will have a significant impact on the amount of antibiotics used in food animal production. Alternatively, a ban on nontherapeutic antibiotic use in beef production would result in increased prices of conventional beef (a loss to consumers) and a decrease in the quantity demanded from producers. Whether consumers and producers of antibiotic-free beef would win or lose depends on the direction of change of the price of antibiotic-free beef.

Market Power and Policy in the U.S. Dairy Industry: Test for Bilateral Market Power. Evidence from responses to minimum prices in milk marketing orders. (Byeong-il Ahn and Daniel Sumner, University of California)

Ahn derived a price equation for the raw milk used for beverage products. He also had to examine the potential endogeneity problem associated with Class I price differentials by examining documents of hearings and final decisions for the federal marketing order reform in 2000. He concluded that regional variations in the changes of relative political power of milk producers were not reflected in the adjustments of price differentials.

Ahn also estimated an over-order premium equation to determine if there were significant changes in over-order premiums after federal marketing order reform. He concluded that the changes in the political power of milk producers before and after the reform, if any, did not affect the market power of milk producers and thus have no significant impact on regional raw milk prices

Effects of Alternative Dairy Policy Options on Producer Welfare (Byeong-il Ahn, Hayley Boriss and Daniel Sumner, University of California)

A discussion paper examining proposed dairy provisions in the 2007 Farm Bill was drafted. As part of the study, we assessed the impacts of alternative MILC payments based on historical record of production. The results of the model show that if MILC payment is decoupled from market price, milk production in the U.S would decrease thus raw milk price would rise.

Decoupled MILC program would result in the decrease in the gross revenue for the milk producers who are operating small size farms of which annual production is under the quantity limit of MILC payment, which is 2.4 million pound a year. However, the milk producers who are operating larger size farms would get more gross revenue.

Effects of Alternative Policy Options for Crops (Daniel Sumner, Hayley Boriss, Omid Rowhani, and Christopher Gustafson, University of California)

Gustafson researched and prepared notes for a paper on grape and grape product industries (including growers of winegrapes, raisins and table grapes, winemakers, and grape juice producers) and how the proposed alternative policies might affect the different sectors of the industry. The move towards greater trade liberalization, the reduction of production subsidies and trade barriers has led agricultural producers to seek other forms of governmental support, which may be beneficial to specialty crop producers.

Government Programs, Market Power and International Trade (Sang Gon Jeon and Daniel Sumner, University of California)

Analysis of the impacts of exogenous shocks on prices, productions and consumption of fluid milk has continued. Jeon has been developing a Korean dairy trade model under imperfect competition and collecting the data necessary for the model. He has been drafting a paper that analyzes the impacts of market power on the consequences of trade policy changes, focusing especially on applications to the Korean dairy. Using data from the Korean dairy industry he has found potential evidence of market power of the milk processors in Korea. Recently, he has tried to estimate market power econometrically. To do this, he reviewed previous research and gathered information to estimate the parameter of market power.

Assessing Grower Benefits from Stimulating Consumer Demand for Fruits and Vegetables (Karen Jetter and Daniel A. Sumner, University of California and James A. Chalfant, University of California, Davis)

More programming was done this quarter on this project, which is estimating the impact on U.S. agricultural industries should people increase average consumption of fruit and vegetables to meet the minimum U.S. dietary guidelines.

Healthy Food for Residents of Low-Income Neighborhood (Karen Jetter, University of California and Diana Cassady, University of California, Davis)

The object of this project is to determine if making fresh produce available in convenience stores in low-income neighborhoods will result in significant purchases of those items by residents of the neighborhood. This quarter an article on the study was submitted to the *Journal of Nutrition Education and Behavior* for review.

Market Basket Study (Karen Jetter, University of California and Diana Cassady, University of California, Davis)

As spinoff from this study, now completed, an article was accepted for publication in the *Journal of the American Dietetic Association* on the cost of the Dietary Guidelines for America 2005 fruit and vegetables market basket.

Effects of Agricultural Policies on Obesity (Julian Alston and Steve Vosti, University of California, Davis and Daniel Sumner, University of California)

Work has continued on this project which aims to assess the effects of past agricultural policies on obesity trends and to make suggestions for changes in ag policies to help reduce these trends. A technical monograph is being completed to provide foundation for the ongoing work. The revised chapter, "Proposed Modifications to the Food Stamp Program (FSP): Likely Effects and their Policy Implications," by Conner Mullally, Julian M. Alston, Daniel A. Sumner, Marilyn Townsend, and Stephen A. Vosti has been submitted for inclusion in the book *Obesity: Causes, Mechanism, and Prevention*. The chapter is currently being reviewed by the editor, Elliott Blass.

Vosti also made a presentation on this work at a Forum on Poverty and Obesity at ENCOR (the University of Washington Exploratory Center for Obesity Research) in Seattle.

Effects of Agricultural Policies on Obesity: Increasing Access to Fruit and Vegetables (Julian Alston , Steve Vosti, Lucia Kaiser, and Virginia Chaidez, University of California, Davis; and Daniel Sumner, University of California)

The focus of this study is to increase fresh fruit and vegetable consumption by Latina mothers and toddlers in the Sacramento, California area. This quarter the researchers worked on refining questionnaires and on sample selection issues. Data to be collected includes information on household income, expenditure, demographics, time allocation patterns of mothers and indulgent feeding practices and factors that determine them.

Economics of Traceability and Food Safety (Sébastien Pouliot and Daniel Sumner, University of California) Between January and April 2007, Pouliot and Sumner worked on traceability as an instrument to improve food recall after the discovery of a contaminated product. Their work will contribute to explain the increased number of industry supplying traceable products and to identify industry where traceability systems can significantly contribute to the reputation of an industry. The model will explain the role of traceability in food scares such as the spinach outbreak in fall 2006. The modeling approach incorporates characteristic features of the fresh produce industry but can also be adapted to other industries.

Pouliot and Sumner submitted an abstract of a paper, which was subsequently accepted for presentation to the joint meeting of the AEA, WAEA and the CAES joint annual meeting next July. They are also revising their paper “Traceability, Liability and Incentives for Food Safety and Quality” in response to reviewer comments.

Grapevines of Innovation: Diffusion of Innovations in the Wine Industry

(Calanit Bar-Am and Jonathan Barker, University of California and Rolf A.E. Mueller, Universität Kiel) This quarter the questionnaire was pre-tested and after adjustments sent to about 850 wineries this quarter. Also, the mailing list was updated and technical problems with hosting an online survey resolved. The objective of this project is to assess the importance of communication networks for technology adoption by agribusiness enterprises, in this case, the adoption of ozone sanitation technology by California wineries.

Hedonic Wine Pricing Using Experimental Methods (Christopher Gustafson and Daniel Sumner, University of California)

Gustafson continued to work on wine characteristics, information, and wine consumption choices. In addition to some field research (a meeting with a winemaker and various informal sessions with wine consumers with greatly varying experience with wine), he worked on the theoretical aspects of this topic, and anticipates finalizing and submitting experiment proposals in the near future to work with human subjects to the Institutional Review Board.

Sumner and Gustafson developed a grant proposal this quarter to use experimental economics to re-examine the hedonic wine pricing issue. The previous literature suffers from a number of limitations that divorces it from the appropriate application of the theoretical model; many of these limitations can be resolved with experimental techniques. Along with this, Gustafson applied, and was selected, to attend a workshop on experimental economics that will be held in July at George Mason University.

Competitive Forces Affecting the Wine and Winegrape Industries (Rachael Goodhue, University of California, Davis)

A major international conference on world wine markets is being planned for August 8-10, 2007 at the University of California Davis. Goodhue sent out a call for abstracts of papers suitable for consideration. The conference is intended to bring together researchers and industry members to explore forces

influencing the future path of the world wine industry, factors influencing consumers' wine consumption and wine choices, and factors affecting the competitiveness of different production regions.

Tomato Producer-Processor Contracts (Rachael Goodhue, University of California, Davis)

This quarter, Goodhue and Sandeep Mohapatra revised a working paper on this project.

Solano County Agriculture Futures Project (Kurt Richter, University of California; Al Sokolow, Human and Community Development Department, University of California, Davis; and Carole Paterson, University of California Cooperative Extension, Solano County)

In January, the Solano Agricultural Futures project produced the Focus Group Summary Report and began hosting a four workshop series on issues important to the future of agricultural production in Solano County. The workshops were on the following four topics:

January 27, 2007: Specialty and Directly Marketed Crops.

February 13, 2007: Energy Crops in Solano County? Ethanol and Other Biofuels. Daniel Sumner presented an economic analysis of adoption of energy crops into Solano County at this workshop, which was organized and led by Al Sokolow.

Feb 27, 2007: How Can County Government Promote and Enhance Local Agriculture? Lessons from Other Counties. Carole Patterson and Jerry Howard led this workshop.

March 15, 2007: Farm Entrepreneurship and Developing Agricultural Enterprise Zones. Kurt Richter organized and led this workshop.

Currently AIC staff is working on two reports for this project. The first report is a summary of the survey results administered to Solano County producers and the second report is an economic analysis of agriculture in Solano County. Both reports will be out in April.

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Outreach Talks

Roberta Cook gave a presentation on the Davis campus on "California's Fresh Fruit and Vegetable Industry - Dynamics in Play Every Day." February 1, 2007.

Daniel Sumner participated in a panel presentation and discussion organized by the Solano Agricultural Futures Project for a group of about 75 growers. The topic: market, agronomic and processing aspects of energy crops and prospects for biofuel production in Solano County. February 13, 2007, Fairfield, CA.

Sébastien Pouliot attended the Canadian agriculture briefing in Sacramento, on "Biofuels: Beyond Food" and "Feed Best Practices: on Farm Food Safety," sponsored by the California Department of Agriculture's and Canadian Counsel General. March 19, 2007. Sacramento, CA.

Materials Made Available for Print and/or Online Posting during this Quarter (partial listing)

"Effects of Price Premiums for Multiple Product Attributes on Product Quality: California Processing Tomatoes" by Corinne Alexander, Rachael E. Goodhue, Sandeep Mohapatra, and Gordon C. Rausser. Paper examines how growers respond to price incentives and how these incentives interact for two important processing tomato quality attributes: limited use tomatoes and material other than tomatoes.

Links to Post

The National Grape Registry available at <http://ngr.ucdavis.edu/>. Provides information about varieties of wine, juice, and table grapes, raisins and grape rootstock and where they can be obtained in the United States. Press release on National Grape Registry also provided for posting.

Ask a Specialist Resource

Marcia Kreith, with assistance from Hayley Boriss and Omid Rowhani responded to four phoned and e-mailed questions received by AgMRC.