



Quarterly Report

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

July 1, 2007 – September 30, 2007

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

Center for Agricultural and Rural Development (CARD) Iowa State University

Fourth Quarter Report

July 1, 2007 to September 30, 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).

No activity for this quarter.

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).

No activity for this quarter.

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).

Research Papers

Babcock, Bruce A., Dermot J. Hayes, John D. Lawrence, and Roxanne Clemens “Creating a Geographically Linked Brand for High-Quality Beef: A Case Study.” MATRIC Briefing Paper 07-MBP 13, Iowa State University, August 2007.

Marette, Stéphan, Jutta Roosen, and Sandrine Blanchemanche. “Tax, Subsidy, and/or Information for Health: An Example from Fish Consumption.” CARD Working Paper 07-WP 453, Iowa State University, July 2007.

Carrquiry, Miguel. “A Comparative Analysis of the Development of the United States and European Union Biodiesel Industries.” CARD Briefing Paper 07-BP 51, Iowa State University, July 2007.

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).

Newsletter and Other Articles

Babcock, Bruce A. "Farm Programs, Fuel Mandates, and Agricultural Prosperity." *Iowa Ag Review Summer 2007* 13(3): 1-3.

Hart, Chad E. "Shifting Corn Basis Patterns." *Iowa Ag Review Summer 2007* 13(3): 4-5.

Jensen, Helen H., and Bruce A. Babcock. "Do Biofuels Mean Inexpensive Food Is a Thing of the Past?" *Iowa Ag Review Summer 2007* 13(3): 4-5.

Presentations

Babcock, Bruce A. "Impacts of Ethanol on the Beef Industry." Presentation at Producers Livestock Marketing Association, Omaha, NE, September 28, 2007.

_____. "U.S. Ethanol Industry Background and Outlook: Socio/Economic Impact of Booming Ethanol Industry." Presented at ProBeef '07, A Global View of the Ethanol Industry and Beef Cattle Production, Iowa State University, Ames, September 5, 2007.

_____. "The Impact of Ethanol on Crop and Livestock Markets." Presentation at a Board Retreat of the Iowa Soybean Association, Riverside, IA, August 22, 2007.

_____. Discussion with Carl Hausmann, CEO of Bunge North America, Iowa State University, August 20, 2007.

_____. The impact of ethanol on U.S. and Mexican agriculture. Topic of meeting with Mexican legislators, Iowa State University, August 9, 2007.

_____. "U.S. Ethanol's Impact on Crop and Livestock Markets." Paper presented at CAES Session, American Agricultural Economics Association annual meetings, Portland, OR, July 29-Aug. 1, 2007.

_____. "Overview of the U.S. Farm Bill." Presented at North Central Land-grant Universities summer meeting, Lincoln, NE, July 9, 2007.

Babcock, Bruce A., John Beghin, Fengxia Dong, Amani Elobeid, Jacinto Fabiosa, Chad Hart, Dermot Hayes, Simla Tokgoz, and Tun-Hsiang Yu. "Long-term and Global Tradeoffs between Bio-Energy, Feed, and Food." Selected paper presented at the American Agricultural Economics Association annual meetings, Portland, OR, July 29-Aug. 1, 2007.

Elobeid, Amani. "The Impact of the Removal of U.S. Ethanol Domestic and Trade Distortions on World." Selected paper presented at the American Agricultural Economics Association annual meetings, Portland, OR, July 29-Aug. 1, 2007.

Hart, Chad. "Bottlenecks and Oil Price Spikes: Impact on U.S. Ethanol and Agriculture." Presentation to the Iowa Poultry Association Fall Festival, West Des Moines, IA, September 13, 2007.

_____. "Bottlenecks and Oil Price Spikes: Impact on U.S. Ethanol and Agriculture." Presentation to Commodity Markets Council/Transportation, Elevator & Grain Merchants Association Meeting, Chicago, IL, September 6, 2007.

_____. Presentation about biorenewables research, to DuPont representatives, Ames, IA, August 30, 2007.

_____. "Bioeconomy Impacts on Midwestern Agriculture." Presented at the Iowa Maintenance Training Expo, Ames, IA, August 29, 2007

_____. "An Analysis of the Long-Run Impact of Ethanol Expansion on Agricultural Markets." Presented to Argentine representatives of Nidera (a Dutch agribusiness company), Ames, IA, August 20, 2007.

- _____. “The Conservation Reserve Program and Its Interactions with Livestock and Crop Production.” Presentation to the Iowa Farm Bureau Federation, West Des Moines, IA, August 15, 2007.
- Hayes, Dermot. “Emerging Biofuels: Outlook of Effects on U.S. Grain, Oilseed, and Livestock Markets.” Presentation at Pioneer Hi-Bred seminar, Johnston, IA, August 24, 2007.
- Marette, Stéphan. “Geographic Indications in the WTO and the New EU Regulation.” Presented at The Law and Economics of Geographical Indications, International Workshop, Justus-Liebig-University of Giessen, Germany, September 6-8, 2007.
- Tokgoz, Simla. “Outlook for Crop and Animal Agriculture in the Biofuels Era.” Presented at the Midwest, Great Plains, and Western 2007 Summer Outlook Conference, Indianapolis, IN, August 14-15, 2007.
- _____. “Understanding the Underlying Fundamentals and Linkages between Ethanol, Energy, and Agriculture. Selected paper presented at the American Agricultural Economics Association annual meetings, Portland, OR, July 29-Aug. 1, 2007.
- Yu, Tun-Hsiang and Frank Fuller. “Spatial Competition and the Location of the U.S. Ethanol Industry.” Poster presented at the American Agricultural Economics Association annual meetings, Portland, OR, July 29 – Aug. 1, 2007.

Iowa State University Extension

Iowa State University

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The Web site generated more than 10.4 million hits from July through September and more than 316,159 combined visits during that period. The site averaged 105,386 visits per month and 3,440 visits per day. Each month saw an average of 35,098 downloaded files from the site.

Updated Commodities & Products

The following pages were updated: agritourism, certified pork, Christmas trees, corn, direct marketing lamb, direct marketing pork, ethanol, figs, foodservice pork, international lamb, international pork, lamb, miscanthus, natural pork, niche pork, organic pork, pork processing, watermelons and wind.

Four new commodity profiles were completed and posted on dates, eggplants, figs, and chickpeas. The energy profile was updated in Markets and Industries. Additional work began to expand profiles for the various food and energy segments profiled in the Markets and Industries section.

AgMRC Web site Changes Planned

Staff began work on changes to the AgMRC Web site. A contract has been established with Global Reach to review the AgMRC code and suggest improvements, as well as continue modifications to the existing site.

The left-hand navigation will be modified through Global Reach. This new structure will feature a "Hot Topics" section to highlight topics currently in the news and an "AgMRC Toolbox" to highlight specific feasibility and outlook tools developed for the site.

All new navigation improvements should be made within the next four months.

Homepage

Icons for the national Market Maker portal were added to the homepage of AgMRC. Eventually, these icons will be located in the left-hand navigation of the homepage.

MarketMaker is a national partnership of land grant institutions and State Departments of Agriculture dedicated to the development of a comprehensive interactive data base of food industry marketing and business data. It is currently one of the most extensive collections of searchable food industry related data in the country. All the information can be mapped and

queried by the user, whether it is a producer looking for new markets or a retailer seeking local food sources from producers.

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).

1) Creation of a new section under Getting Prepared entitled Measurements & Conversions

2) New Information Files (4)

- Metric Conversions
- Test Weights & Capacity
- Agricultural Measurements & Conversions
- Business & Economic Concepts and Principles

3) Revised Information Files (3)

- Energy Measurements & Conversions
- Corn Basis
- Soybean Basis

4) Edited numerous external links to correct broken web links

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).

Special projects from the 2006 federal allocation are wrapping up. Results will be posted on the AgMRC Web site by the end of the year.

2007 FEDERAL FUNDS ALLOCATED TO AGMRC:

\$1,025,000 received

\$768,665 special projects funded

The AgMRC Management Team and USDA officials targeted national areas of need in biofuels, alternative fuels, specialty products, and agritourism. The group also placed an emphasis on business development, feasibility analysis and support of the Value Added Agriculture Producer (VAPG) grants. Specialists across the United States were notified and invited to submit pre-proposals.

Helping Farmers Make Decisions in Bioeconomy: Mapping the Potential for Switchgrass in IA relative to Corn and Soybeans. CARD / ISU Ames. Lead: Bruce Babcock. Estimate

potential switchgrass yield in Iowa based on changes in land coverage for switchgrass, corn, and soybeans in response to changes in crop prices. Use Erosion Productivity Impact Calculation (EPIC) model, which will allow us to also estimate soil erosion, nutrient loss, and carbon sequestration for each land coverage scenario. Out for this project (dynamically menu-driven state yield maps) will be useful both as a decision-making tool for farmers in assessing the economic implications of different land use strategies and as an indicator of potential environmental impacts of these strategies. \$75,000.

Economic Analysis of Increased Levels of Intramuscular Fat in Pork: Producer and Industry Market Opportunities. Lead: James Kliebenstein, ISU Economics. Determine what it will cost producers to produce pork with higher levels of intramuscular fat. This would involve evaluation of the adoption of production adjustments as well as intramuscular fat measurement technologies. Determine what it will cost pork packing plants to implement ultrasound intramuscular fat measurement technology. This would involve evaluation of in-plant adjustments as well as data recording and getting information back to producers. Begin assessing consumer willingness to pay for pork with improved intramuscular fat. \$58,802.

Crude Glycerol – Utilization by Pigs. Lead: Mark Honeyman, Research Farm, ISU. Crude glycerol contains approximately 3272 kcal ME/kg. Previous research suggests that up to 10% can be supplemented to growing swine diets with no impact of pig performance, but a potential reduction in drip and cooking loss. The goal is to provide information on pig performance and potential improvement in meat quality with crude glycerol supplemented to growing pig diets, and to compare crude glycerol from various sources. \$37,044.

Restructuring of Cooperatives: Strategies to Improve Performance and Create Value and Liquidity for Member-Owner Equity Investment. Lead: Michael Boland, Kansas State University
Conduct a program on the advantages and disadvantages of alternative restructuring strategies including demutualization and to present a series of educational conferences at strategic locations around the country to present the research results and discuss the issues associated with alternative strategies. \$75,000

Small-Scale, Farm-Level Alternative Energy Production: Business Plans and Case Studies of Wind Energy and Biodiesel Production. Lead: Gary Brester, Montana State University
Develop technical/business plans to assist investment decision-making regarding alternative energy production. Separate technical information and business plans will be developed for small-scale, on-farm wind energy and biodiesel production. The business plans will incorporate technical, economic, finance, and strategic elements.
Separate case studies of existing small-scale, on-farm wind energy and biodiesel producers will be developed. Separate Powerpoint presentations will be developed that summarize the business plans and case studies. Separate high school lesson plans will be developed. \$68,543

M.U.F.F.In™. Lead: Tim Bryan, Minnesota Ag Network, Mahtomedi, MN .
The future of the value-added agriculture movement in rural America will be influenced by the ability of farmers to create sound businesses. The recent rash of business failures in the Upper Great Plains has accented the importance of this issue. This project will provide research to identify factors critical to business success in the arena of value-added

agriculture to improve the probability of success of value-added businesses and strengthen the ability of value-added agriculture to be an effective tool for rural development. \$75,000.

Bio-Energy Project Development Resources. Lead: Andrew Dane, University of Wisconsin.

Three distinct resources for the AgMRC Web site will be developed: 1) Case studies (4) of existing bio-energy projects, 2) Bio-Energy Financing and Feasibility: A Practical Guide for Communities, and 3) Quantifying and analyzing regional demand for Green Power: A Case Study and How-to Manual. \$27,500.

Farm-to-Fork Direct-to-the-Consumer Beef Marketing Handbook. Lead: Annette Dunlap, North Carolina State University.

The project provides producers of locally raised/locally marketed beef with a comprehensive workbook designed to guide them in the development of production practices and in the selection of market options and strategies. The output from the project is a downloadable document that includes guidelines, fillable worksheets and modifiable spreadsheets. The document details the steps producers should consider in the development of a beef business that is targeted to the end consumer. The audience for this project is any producer interested in either starting a direct-to-the-consumer beef business or expanding an existing one. \$17,929.

Expanding E-Commerce Opportunities for Farm Fresh Markets and Agri-Tourism Industries. Lead: Carl German, University of Delaware.

This proposed project is designed to assist farm fresh market growers, farm retail direct market operators, and agri-tourism businesses in learning to connect with each other and the consumer by fully utilizing the options available to them for e-commerce on the Internet. In doing so we will be able to enhance the profitability of the fresh market and agri-tourism industries and assist in streamlining educational delivery methods. \$47,328.

High Methionine Corn for Organic Poultry Producers. Lead: Walter Goldstein, Agricultural Institute, Troy, WI.

Project will summarize the state of knowledge on high methionine corn for the public in an accessible form, spread information on high methionine corn and to facilitate utilization of its potential, facilitate teamwork and NIR calibration. \$47,990.

Development of Production Certification Options for Markers: MarketMaker. Lead: Darlene Knipe, University of Illinois.

Identify marketing and certification programs to be included in National MarketMaker database, create profiles of individual programs, create icons for programs, coordinate outreach/education program, build a query system allows businesses that participate in MarketMaker partner state programs to be promoted at top of query lists. \$45,146.

New product development and market opportunities in the Floriculture Sector. Lead: H. Christopher Peterson, Michigan State University

Conduct product development and market research to offer product development and business options and opportunities to entrepreneurs interested in developing new products, markets and services in floriculture industry in MI. \$43,724.

Fostering Success for Producer Owned Value-Added Enterprises. Lead: Don Senechal,

The Windmill Group, Drake, ND.

Investigate major factors influencing success or failure of farmer-owned enterprises.
Continuation of previous project. \$65,000.

A Do It Yourself Producer’s Guide to Conducting Local Market Research. Lead: Tommie L. Shepherd, University of Georgia.

Produce a layman’s guide to conducting localized market research for VAA products. The publication will guide the producer through the concepts of product positioning, supply/demand analysis by means of simple theoretical explanations and case study examples. \$26,100.

Web-based Entrepreneur Education. Lead: Dave Williams, University of Wisconsin, Extension.

Adapt Business Feasibility curriculum to a web-based distance learning format with accompanying advanced marketing videos. The creation of these distance learning modules for business development section of AgMRC Web site is an ideal opportunity to make this high-quality program available to a national audience. \$58,559.

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).

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.

July 11	Leopold Center 20 th Anniversary	Ames, IA	Margaret Smith presented, Ray Hansen and Madeline Schultz exhibited for AgMRC.
July 15-19	National Association of County Agricultural Agents Annual Meeting	Grand Rapids, MI	AgMRC exhibited with Hansen, Paul Kassel* and Steve Johnson*.
July 16-18	Warehouse Examiners	Milwaukee, WI	Connie Hardy presented on behalf of AgMRC.
August 7	Nature Mapping	Ames, IA	Smith hosted and presented on behalf

			of AgMRC.
Aug. 7-9; 14-16	IGQI Grain Management workshops	Two locations in Iowa	Christa Hartsook prepared materials on behalf of AgMRC.
Sept. 6	Fruit & Veg Field Day	Gilbert, IA	Schultz, Smith and Sue Woods hosted on behalf of AgMRC.
Sept. 6-7	IADG Partners Forum	WDM Marriott	Reg Clause attended on behalf of AgMRC.
Sept. 13-14	AgMRC Advisory Council meeting	Burlington, VT	Mary Holz-Clause, Patty Gibler and Don Hofstrand attended.
Sept. 17-18	Ag Entrepreneurship Institute	Gateway, Ames	Schultz attended and presented on behalf of AgMRC.
Sept. 20-23	Renewables on Parade	Washington, IA	Hardy and Bob Mortensen exhibited on behalf of AgMRC.
Sept. 26-28	Professional Developers of Iowa Fall Conference	Ames, IA	Craig Tordsen exhibited on behalf of AgMRC.

Client Requests

Staff researched and responded to 148 e-mailed questions this quarter.

During this quarter there were a total of 88 toll free phone inquiries to AgMRC from 21 States including Arizona, California, Florida, Georgia, Hawaii, Illinois, Indiana, Iowa, Louisiana, Massachusetts, Michigan, Minnesota, Mississippi, Nebraska, New Mexico, New York, North Carolina, South Carolina, Texas, Vermont and Wisconsin. 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 summer 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 energy agriculture series regular value-added agriculture news 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.

Video equipment was purchased for AgMRC, including two new camcorders, a tripod, tapes, etc. Staff received training on taping interviews, workshops and raw footage. During the winter, videos will be featured on the homepage of AgMRC on current issues in value-added agriculture.

Additionally, AgMRC received positive press this past quarter. Articles appeared in the *Wall Street Journal*, *Iowa Farmer Today*, *Wallace's Farmer*, and broadcasts on Japanese radio, as well as Iowa farm radio.

Kansas State University

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Nothing to report at this time. We responded to requests for information on roundup ready sugar beets, ancient grains, almonds, natural beef (seven requests), soft white wheat, and safflower.

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).

Staff completed VAPG database and began linking farm payment and cropping data to the database. We are now adding sales volumes and county level production data before the grant and after to determine market share.

Staff maintained basis maps of Midwest wheat, grain sorghum, corn, and soybeans.

Kansas State University visited (along with ISU staff) with various ethanol plants near Mason City, Iowa. We began a draft of a publication (with Don Hofstrand) looking at the different ethanol technologies and their adaptability at the present time.

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).

We completed a case study on making ethanol from sugar beets. A Kansas State University student defended his M.S. thesis on the use of distillers grains in livestock feeding rations and their adaptability. The publication draft is in progress for the AgMRC Web site.

Staff began a study on value-added pasta and their use as a nutraceutical. We are trying to work with Dakota Growers Pasta in Carrington, North Dakota. We are beginning cases on Sunkist, Treetop, and CHS feed. They have been involved in value added endeavors.

KSU is beginning a database collection of geographic certification information for 721 groups that have applied for protection under this trademark. The goal will be to identify determinants of the premium or discount for the foods produced within the cluster. We began conducting interviews for the 2008 Co-op Restructuring program.

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Staff conducted director development programs in California (24 participants in Visalia) and Georgia. We began planning a Pacific Northwest program (Oregon, Idaho, and Washington) for next year. We are also planning another January program for California.

Work has started on program planning the 2008 Co-op Restructuring project for Omaha.

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 Web site has been ongoing. In addition UC AIC worked on refining the wine and winegrapes profile, and creating a dairy and cotton profile for the Web site.

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

The wine and winegrapes industry profile was further refined and awaits final review. Work continued on a draft dairy industry profile and in collecting data to create a current cotton profile.

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 of revisions has continued slowly. Because of its high interest, Chapter 5, "Agriculture's Role in the Economy" has been posted on the website.

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

This study on California international agricultural exports in 2006 is nearing completion. Export statistics on the 55 primary commodities and the "other commodities and mixtures" aggregate are complete. California exported over \$9.5 billion dollars of agricultural commodities, a slight increase over 2005. The primary destination of export was the European Union, followed by Canada. An issues brief is also nearing completion, and is anticipated in October.

Trade-Weighted Exchange Rate Indices (Daniel A. Sumner and Omid Rowhani, University of California)

Rowhani updated the AIC import and export trade-weighted exchange rate indices. The indices are monthly exchange rates and have been updated through the month of May 2007. They provide information on the international price of major US commodity exports, and the cost of major U.S. imports.

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

The researchers developed a trade model for dairy products incorporating imperfect competition derived from the political power of domestic producers in the raw-milk market and market power of domestic processors and importers in the fluid-milk and processed-milk markets. They simulated the impacts of potential tariff cuts under alternative assumptions about the domestic market structure. They found moderate changes in the impacts of tariff cuts under different market structure. In addition, Jeon gathered data to support and confirm evidence of market power in the Korean dairy industry and has been developing a paper on Effects of Imperfect Competition on Implications of International Agricultural Trade Policy.

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. An article on the study submitted to the *Journal of Nutrition Education and Behavior* is still under review. Also another article that focuses on the sales of locally grown produce is now under revision.

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)

This project 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. At the end of last year the model was revised to: (1) make it more consistent with the dual approach developed by Wohlgenant, and (2) generalize the model to allow for less restrictive parameter values. The researchers' activities included respecifying the multi-market model, reprogramming the file to generate the parameter matrix, reprogramming the files to run the analysis and data analysis.

During this period the programming and data problems that were leading to inconsistent estimates were addressed. A new parameter matrix was programmed and the data sets were updated so that both the supply and demand data reflect the same years.

Direct Economic Effects of a Policy to Provide Government Subsidized Price Discounts for the Purchase of Fruit and Vegetable by Current Food Stamp Recipients (Karen Jetter, University of California)

This research project is evaluating the direct benefits and costs to U.S. consumers and producers from changes in prices, consumption and production, of a policy to offer government price discounts on fresh fruit and vegetable to food stamp recipients nationwide. The rationale for cost effective policies that lead to higher consumption of fruit and vegetable is they may have a significant impact on the incidence of obesity and chronic disease among persistent food stamp recipients. Because targeted assistance has been shown to be more efficient at bringing about dietary changes than more general assistance programs, a targeted food assistance program such as price discounts on fruit and vegetable may provide substantial benefits to low income consumers. Providing price discounts of 25% also directly benefits food stamp consumers through lowering the prices that they pay for fruits and vegetables. However, a price discount may cause equilibrium market prices to rise for fruits and vegetables, benefiting growers, but making other consumers worse off.

This study uses a market model of the U.S. fruit and vegetable industry to estimate the benefits and costs to consumers, growers and taxpayers. Preliminary results were presented at a conference in July at UC Davis.

The Economic Benefits of Increasing Food Stamp Participation Rates in California.

(Karen Jetter University of California)

Relevant to agricultural producers and value added, Jetter looked at the additional economic activity generated in California due to an increase in California's food stamp participation rate. The study was undertaken this quarter at the request of the UC Davis Center for Public Policy Research in collaboration with the California Department of Social Services. The report, which was completed, will be released by the Center for Public Policy Research.

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

Extending their project that assesses the effects of past agricultural policies on obesity trends with an objective of suggesting changes in ag policies to help reduce these trends, these researchers have been preparing materials for and participating in several conferences. Alston presented a paper at the Sixth World Congress on Health Economics in Copenhagen on July 8-11 and participated in sessions on obesity at the American Agricultural Economics Association (AAEA) conference in Portland, Oregon, July 29-August 2. In addition they continued to draft a monograph for publication by the Giannini Foundation and worked on a paper on food stamps, which was submitted to *Food Policy*.

In November, Vosti will give an invited presentation at the 2007 McGill Health Challenge Think Tank, "Ways Forward Toward 'Health-Friendly' Local and Global Food Chains."

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. The survey has now been developed and was implemented. In addition the researchers have been developing research plans to extend this survey.

Collective Action and Marketing Orders (Julian Alston and Richard Sexton, University of California, Davis)

Alston attended the Research Committee Commodity Promotions NEC-63 workshop in Vancouver, BC, September 27-28. Also, he is developing plans for new research project on this topic. Alston and Sexton have been preparing presentations for a workshop of the Cal/Med Consortium in October.

Economics of Traceability and Food Safety (Sébastien Pouliot and Daniel Sumner, University of California)

In July, Pouliot and Sumner worked on traceability to preserve the reputation of an industry. Later that month Pouliot presented the paper at the joint meeting of the American Agricultural Economics Association, the Western Agricultural Economics Association and the Canadian Agricultural Economics Society in Portland, Oregon. He finished improving the paper following comments received at his AAEA presentation. Recently, Pouliot commenced work on the effect of traceability on agricultural trade. These researchers also have been preparing a presentation for the Cal/Med Consortium workshop in Sonoma, California in October.

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) The researchers expect to begin analysis of the survey data during the next quarter.

Economic Effects of Climate Change on the Wine Industry (Calanit Bar-Am and Daniel A. Sumner)

During this report period, Bar-Am and Sumner gathered weather data for 6 wine regions in U.S., France and Australia. They prepared a poster that Bar-Am presented at the California Climate Change Conference on September 10-14 in Sacramento, California.

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

This quarter Gustafson continued to develop the experimental design and questionnaires that will be used in researching hedonic wine pricing and has been identifying potential partners for the experiments. Also, he updated his previous review of the literature. He attended a workshop to help develop the experimental economic techniques to be employed in the examination of hedonic wine pricing. In August, Gustafson presented his on-going research activities on integrating hedonic wine pricing, experimental economics, and sensory science at a conference titled “Competitive Forces Affecting the Wine and Winegrape Industries: An International Conference on World Wine Markets.” That conference was held in Davis. He also presented his research plan at Cornell University’s LEEDR experimental economics lab.

Preparatory to initiating the proposed survey, the researchers completed and submitted the University’s required Institutional Review Board human subjects application for the experiments. In addition, they surveyed the wine sections of the Safeway and Nugget stores in Davis, and have drafted a letter to one of these firms.

What Determines the Wine Price? The Significance of American Viticultural Areas (AVAs) in U.S. Wine. (Hyunok Lee, University of California, Davis and Oh Sang Kwon, Seoul National University)

In addition to statistical analysis, work continued on a research paper. Within an alternative hedonic approach, this paper estimates the effects of California appellations on the wine prices. This study adopts the error component approach, which is often referred to in econometrics literature as a random effects panel data model. Our results indicate that controlling all other factors constant, compared to the sample average, wine prices can be up to 47 percent higher and can be lower by as much as 46 percent, solely due to appellation differences. As expected, holding all things constant, appellation effects show regional patterns. We found that the AVAs located in the coastal areas were associated with the appellation effects above the average, and the AVA's in the Central Valley or Sierra and county appellations were associated with the appellation effects below the average. The California appellation was related to the lowest effect.

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)

This project finalized a comprehensive analysis of agriculture within Solano County. Included in the report were 9 regional profiles and 17 commodity profiles. The report was presented to the Solano County Board of Supervisors at the end of September.

A GIS based agricultural value map was created to help county planners and producers visualize where specific commodities are produced within Solano County. This is the first GIS based value map of agricultural production at the parcel level created in California.

Agritourism and Value-added Attributes (Kurt Richter, University of California)

A new project commenced this report period will develop a case study of the Apple Hill region in El Dorado County, California. Apple Hill is a popular fall agricultural tourism location specializing in apples, apple cider, apple pies, berries and Christmas trees. The case study will focus on how Apple Hill evolved from commodity pear production to the successful agricultural tourism location it is today.

Pollinators (Hayley Boriss and Daniel Sumner, University of California)

Two papers are being developed on the value of pollinators. One is addressing previous research and new estimations for valuing pollination services in the U.S. The other examines the economic feasibility of wild pollinator habitat as an ecosystem service.

In addition, as part of the larger study on pollination markets, the researchers are working on estimating a demand function for pollination services in California

The Implications of Marketing-Order Quality Regulations in a Free-Trade Environment (Tina L. Saitone and Richard J. Sexton, University of California, Davis)

This research paper was presented as a selected paper at the AAEEA meetings in Portland, Oregon in July.

Contracts, Quality, and Default: Endogenizing a Buyer's Rejection Rate (Karen Thome and Richard J. Sexton, University of California, Davis)

This research paper was presented as a selected paper at the July AAEA meetings in Portland, Oregon.

The Effects of Market Power on the Size and Distribution of Benefits from the Ethanol Subsidy (Tina L. Saitone, Richard J. Sexton, University of California, Davis and Steven E. Sexton, University of California, Berkeley).

The research paper on this study was presented in July at the AAEA meetings in Portland, Oregon and, after incorporating revisions, it has been posted on the AgMRC website.

Market power is discussed frequently in debates about subsidies for ethanol production, and structural conditions in the industry create a case for concerns about market power. This paper develops a prototype model for determining the production and price impacts and distribution of benefits from the U.S. ethanol subsidy when upstream sellers in the seed sector and downstream buyers in the processing sector may exercise market power. The impact of the subsidy is analyzed within a simulation framework for alternative levels of market power. Results demonstrate that the impacts on prices and output are limited for modest departures from competition. Distributional impacts are much greater. Seed producers and corn processors with market power are able to capture relatively large shares of the benefits from the subsidy.

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).

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

“Agriculture's Role in the Economy.” A report by the University of California Agricultural Issues Center (AIC). Summarizes the direct and multiplier effects of agriculture in the California economy and regions of the state. It also discusses California agriculture in the global context. November 2006 preprint of chapter five in UC AIC's "The Measure of California Agriculture, 2006."

“The Effects of Market Power on the Size and Distribution of Benefits from the Ethanol Subsidy.” August 2007. Tina L. Saitone, Richard J. Sexton, University of California, Davis and Steven E. Sexton, University of California, Berkeley.

“California's International Agricultural Exports in 2005.” Omid Rowhani and Daniel A. Sumner. *AIC Issues Brief* No. 31, April 2007.

Links to Post

UC ANR publication, *Imported and American Varieties of Dates in the United States*.
Pub. No. 3498. <http://anrcatalog.ucdavis.edu>

Organic Olive Production Manual by Paul M. Vossen
ANR pub no. 3505. <http://anrcatalog.ucdavis.edu>

Events Calendar:

August 8-10, 2007, University of California Davis
Competitive Forces Affecting the Wine and Winegrape Industries. An International Conference on World Wine Markets. Cosponsored by the Center for Wine Economics and Business at the Robert Mondavi Institute for Wine and Food Science at UC Davis, the University of California's Giannini Foundation of Agricultural Economics and the IMPACT Center at Washington State University in Pullman, Washington.

Outreach Talks

Roberta Cook gave her talk, "El dinámico mercado de producción de tomate fresco en el área del TLCAN," (or "The dynamic fresh tomato market in the NAFTA region") to the 2nd International Tomato Congress in Leon, Mexico via live video conference from UC Davis on July 11.

Speaking to a by invitation-only event for about 40 restaurant chain menu developers and executive chefs, Roberta Cook gave a presentation on the "Growing Produce Use in Foodservice: Challenges, Opportunities and Strategies." This 4th Annual Invitational Leadership Forum on Flavor Quality and American Menus, was held in The Culinary Institute of America (CIA) at Greystone, California in conjunction with University of California, Davis, September 10, 2007.

"Trends in the Marketing of Fresh Produce and Fresh-cut Products," was the topic of Roberta Cook's presentation to the UC Davis Postharvest Technology Short Course on Fresh-Cut Products: Maintaining Quality and Safety, Campus, September 25, 2007. Attending were 75 professionals/scientists and quality control/food safety experts working at value-added fresh produce enterprises (fresh-cut processors).

Daniel Sumner gave a presentation on California's current and emerging agricultural issues to a dozen state FFA officers when they met in Davis on July 16, 2007.

July 25, Daniel Sumner made a presentation to the Western United Dairymen Task Force #2 on the refundable assessment concept and the California nonfat dry milk price report hearing. They met in Modesto, CA.

The focus of Daniel Sumner's presentation to the Western United Dairymen's Dairy leaders' program was on trade issues.

Dutch auctions were the focus of Daniel Sumner's talk to the Western United Dairymen Task Force #1.

At the International Conference on World Wine Markets “Competitive Forces Affecting the Wine and Winegrape Industries, which took place on the UC Davis campus, August 8-10, Henrich Brunke and Daniel Sumner gave a presentation on Wine Regulation and Competitiveness: The Old World Versus the New World; Christopher Gustafson, Daniel Sumner, and Travis Lybbert, gave an overview of their AgMRC supported project on Hedonic Wine Pricing and Information Using Experimental Methods; and Daniel Sumner discussed China’s Wine Industry.

For the California State Board of Food and Agriculture and California Department of Food and Agriculture’s joint meeting on September 19, 2007, “Creating a Vision and Strategic Plan for Agriculture in California,” Sumner addressed Framing the Issues and Current Trends: Wither California Agriculture. Sacramento, CA.

Ask a Specialist Resource

Marcia Kreith, with assistance from Omid Rowhani and Roberta Cook, responded to 10 phoned and e-mailed questions received by AgMRC: