



Cooperative Program in Agricultural Marketing and Business

Department of Rural Economy
University of Alberta



Symposium 2004

'Reducing Risk, Protecting People: Implications for Health, Food, and Agribusiness' June 2, 2004

8:00 – 8:30am Registration

8:30 am Welcome and Symposium Overview

8:45-9:30am U.S. Consumers' Concerns about Eight Food Production and Processing Technologies,



Professor Brian Roe, Ohio State University - Research interests involve assessing consumer understanding and demand for novel food attributes that are difficult to verify, such as food safety, and assessing policies that shape the supply and demand of such attributes. His extension activities involve analysis of current U.S. livestock industries.

For a representative sample of U.S. consumers, we rank, correlate and explain ratings of concern toward eight food production and processing technologies (antibiotics, pesticides, artificial growth hormones, genetic modification, irradiation, artificial colors/flavours, pasteurization, and preservatives). Concern is highest for pesticides and hormones, followed by concern toward antibiotics, genetic modification and irradiation.

9:30-10:15am Public Concerns about Drinking Water in Canada,



Professor Vic Adamowicz, University of Alberta - Tier 1 Canada Research Chair in Environmental Economics. He spent his last sabbatical at Resources for the Future in Washington, D.C.

Concerns about water quality and human health have been heightened by the recent outbreaks of microbial illness associated with drinking water. A national survey is being developed that examines consumer perceptions of health risks from drinking water, their responses to these health risks, and their perceptions of the actions that should be taken to address concerns about drinking water quality. An update on this survey and some of the findings will be presented.

10:15-10:45am Coffee

10:45-11:30am Risk Attitudes and GM Food: Will Canadian Consumers Buy Bread made with GM Wheat?



Professor Michele Veeman, University of Alberta – This GELS (ethical, environmental, economic legal and social issues related to genomics) research is directed to obtaining a better understanding of the risk attitudes of consumers regarding foods derived from agricultural biotechnology.

This paper summarizes recent research, undertaken in the Department of Rural Economy, on Canadian's views of the risks from agricultural biotechnology. The work is based on data from a national survey of Canadian consumers' attitudes and preferences relative to a variety of food and environmental risks, including genetically modified foods. An overview of results from two experiments which probe willingness to purchase bread which includes genetically modified ingredients will be given.

11:30am-12:15pm Roles, Responsibilities and Needs of Market Participants in Risk Communication,



Professor Cindy Jardine, University of Alberta - A member of the National Advisory Panel on Responsible Care for the Canadian Chemical Producers Association. She has worked for several years as an invited expert to several NATO/WHO workshops to develop the European National and Local Environmental Health Actions Plans.

Risk communication – it's not just for the public any more! As recent events in the food industry have shown (e.g. farmed salmon, avian flu), communication at all levels within and between the various people and agencies involved in a risk situation is also important to the effective management of risks. If crucial information is not being conveyed, understood and acted upon appropriately, measures to prevent or minimize risk to public health will fail. However, communication about the nature of health risks and risk management strategies within and between groups is often incomplete, and sometimes non-existent. What are the roles and responsibilities of the various market participants (including the public) in risk communication? What is needed to improve communication? What can we learn from the successes and failures we've recently experienced?

12:15-1:30 pm Lunch (Papaschase Room, Faculty Club) and short research poster presentations (outside E1-013 ETLC)

1:30-2:15pm Agricultural Cooperatives and Risk Management: Impact on Financial Performance,



Professor Tim Richards, Arizona State University - Tim is the Power Professor of Agribusiness at Arizona State University. Currently, he is involved in a number of diverse research projects on topics that include strategic pricing among food retailers, the nature and causes of food addiction among Native Americans, and the pricing and use of weather derivatives for agricultural risk management. He continues to be actively interested in a variety of topics related to agricultural cooperatives.

Agricultural cooperatives, like all agribusinesses, operate in an inherently risky environment. Many risk management tools exist, but agricultural cooperatives have been slow to adopt sophisticated risk management practices. Using simulation methods, this paper presents insight into how both traditional and innovative risk management practices effect the distribution of key financial variables for agricultural cooperatives.

2:15-3:00pm Farm Level Risk Management using Models: VaR and Other Models,



Professor Jim Unterschultz, University of Alberta - Teaches and undertakes research in agribusiness finance, commodities, risk models and supply chains. Current research is exploring the applicability of risk models to evaluate investment decisions and whole firm risk.

Farm managers need to manage market and related risks in their business. Risk models may have a role in managing these risks in complex agricultural businesses. Short term models such as Value-at-Risk or longer term decision models such as Real Options may have a role in assisting decision making. Research on the applicability of these models to measure and manage whole firm risk at the farm level will be discussed.

3:00-3:15pm Coffee

3:15-4:00pm Do Differing Attitudes Towards Risk Contribute to Cooperative Agency Costs of Debt?,



PhD candidate Getu Hailu, University of Alberta - Research interests include: productivity and efficiency analysis, economic/psychological studies of consumers, health economics, risk analysis and econometrics. His thesis project, entitled "Principal-Agent Problems and Capital Constraints in Canadian Agribusiness Supply and Marketing Co-operatives", centres on cooperatives' access to capital. And in particular, how can the risks associated with debt financing influence profitability and efficiency of supply and marketing co-operative agribusiness firms? What is the impact of cooperative decision makers risk behaviour on the optimal capital structure?

One of the issues in management of a co-operative business concerns the capital constraints facing the organization while simultaneously considering the financial risks associated with the various sources of capital. One unaddressed issue, however, is the impact of divergence in risk attitudes of managers and the board of directors and agency cost of debt on business management (such as selection of financial risk management strategies and capital structure decision) on firm performance. In this paper, the results of a survey investigating whether risk attitudes and perceptions differ between managers and boards of directors of co-operative agribusiness firms are presented. Furthermore, evidence of the impact of agency costs of debt on co-operative firm profitability is presented.

4:00-4:45pm Cooperative Mergers and Acquisitions: The Role of Capital Constraints,



Professor Tim Richards, Arizona State University

Several explanations for merger activity exist for publicly traded firms, but none consider the unique aspects of cooperatives. This study develops a test for the hypothesis that cooperative consolidation occurs primarily in response to capital constraints associated with a lack of access to external equity capital. An empirical model estimates the shadow value of long-term investment capital within a multinomial logit model of transaction choice in a panel data set of the 100 largest U.S. cooperatives.

4:45-5:00pm Wrap-up,

Ellen Goddard, Cooperative Chair in Agricultural Marketing and Business, University of Alberta

