

Primary Industries Facing Global Markets: The Supply Chains and Markets for

Norwegian Food, F. Aasche (ed.), Oslo: Copenhagen Business School Press, 2006, 477 pp.,

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Edited by Frank Aasche (University of Stavanger), this book is a collection of 18 very diverse chapters representing research on Norwegian primary producers and their supply chains. The underlying research was sponsored by the Norwegian Research Council through their program Market and Society from 2000 to 2005. In particular, the key focus of many of the chapters is either on the Norwegian seafood sector, both wild fisheries and aquaculture, or the forestry products sector. Both of these sectors face substantially lower barriers to trade than other parts of the food and agricultural sector, and therefore have had to cope with growing international competition.

Drawing on approaches from marketing, economics and social science, the chapters in the book are divided into three key sections. The first section, containing seven chapters, focuses on supply chain organization analysis of the seafood and forestry products sectors. The topics covered range from sources of information that firms use to make decisions in international markets, through changes in the organization of the value chain for seafood and the economics of sawn-wood processing, to analysis of the micro-dynamics of international trade using data for Norwegian seafood exports. For readers who are economists, several of the chapters will take them into the somewhat unfamiliar territory of marketing and its associated literature, for example the marketing approach to thinking about networks in international markets. However, for those readers, including this reviewer, who are long-time students of industrial organization

and analysis of structural change in the US and European food marketing systems, the chapter by Tveterås and Kvaløy on the seafood sector uses a familiar analytical framework to examine issues such as the increasing impact of retail chains, the economics of vertical coordination and organization of value chains. In addition, the chapter by Melchior on the micro-dynamics of international trade adds to the small but growing body of literature focusing on firm-level behavior in trade (see Helpman, 2006, *Journal of Economic Literature*; and Bernard *et al.*, 2006, *Journal of Economic Perspectives*). In particular, this chapter focuses on entry (exit) into (from) different markets by Norwegian seafood exporters.

The second section of the book contains five chapters that deal with marketing and consumer preferences, ranging from developments in the UK seafood network and the role of Norwegian exporters, through generic advertising of Norwegian salmon in export markets, the use of experimental methods to get information on the value consumers place on specific food attributes, to an exploration of consumer attitudes towards seafood. Picking a couple of examples, the chapter by Cantillon and her collaborators gives a detailed account of structural change in the UK seafood marketing chain, and will be very interesting to anyone who either grew up in the UK or has lived there and has experienced the great British tradition of fish and chips purchased from the corner “chippie”. While the chapter by Alfnes and Rickertsen provides a very good introduction to and survey of the recent application of experimental economic methods in agricultural economics to elicitation of consumer preferences, outlining the results of three Norwegian case-studies that focused on hormone-treated beef, beef tenderness, and salmon color. For those unfamiliar with the growing literature on experiments in agricultural economics, this chapter is an excellent place to start.

Finally, the third section of the book comprises six chapters focused on producers, with a specific focus on the market based management of fish stocks. The chapters in this section cover the application of traditional fisheries economics to Norwegian herring and Icelandic cod, through whether markets can be used to achieve regulatory goals, to the role of eco-labels in management of fish stocks and the facilitation of innovation in the Norwegian salmon industry. The key point to get out of this section is that when production of a commodity such as seafood suffers from the tragedy of the commons, i.e., over-fishing, this generates problems in the supply chain that typically do not affect other sectors, both in terms of stock management, value in the supply chain, regulation and uncertainty.

On one level, this book will be very valuable to those researchers who have a specialized interest in the Norwegian seafood and forestry products sectors. In addition, for those industrial organization economists who are seeking further empirical evidence for change in the vertical structure of food and agricultural marketing, this book contains a wealth of useful detail on the seafood and forestry products sectors, adding to the considerable body of knowledge we already have about other sectors. However, like many a book based on a set of edited and eclectic chapters drawing from a variety of disciplinary and sub-disciplinary backgrounds, the quality of the contributions varies quite widely, and it is rather hard to come away from the book with a strong sense of a core analytical theme. The editor Frank Asche does a sterling job of trying to draw together a core theme for the book in the introductory chapter, noting that the book is organized around the value/supply chain perspective first introduced into the business management literature by Michael Porter in his 1985 text *Competitive Advantage: Creating and*

Sustaining Superior Performance. However, it would have been marginally more convincing if a stylized version of the supply chain approach were laid out in the early part of the book, so that the average reader could figure out how each chapter contributes to the approach.

Having said that, anyone with a modicum of training in industrial organization would soon figure out that the value chain approach is just another way of describing the vertical market structures absent the type of rigorous analysis that has been brought to bear on the issue of vertical market coordination in the past twenty years or so in the industrial economics literature, e.g., see Hart's book *Firms, Contracts and Financial Structure*. On this level, the book is rather a letdown in that this reviewer was left asking the so-what question, i.e., much evidence is presented for structural change in the Norwegian seafood and forestry products sectors and their response to international competition, but little attempt is made to analyze rigorously the fundamental causes of that structural change, and how this might matter for regulators and policymakers. For example, it is very easy to appeal to the transactions cost model in thinking about vertical market structure, but as in so many of these types of studies, there is much description, but little rigorous economic analysis seeking general patterns of behavior. Consequently, anyone seeking the type of in-depth, rigorous analysis say John Sutton presented over 15 years ago in his book (1991, *Sunk Costs and Market Structure*) on factors affecting market structure in the US and European food industries, will likely end up being very disappointed. In addition, for a book supposedly focusing on international markets and globalization, there is remarkably little economic analysis of how international trade impacts the behavior of firms both in import and export markets, with the key exception of the chapter by Melchior. Given the now burgeoning literature on the connection between trade and industrial organization, this is very surprising and a major gap in

the book's coverage. Interestingly, the third section of the book will probably be the most enlightening to industrial organization economists who tend not to think about non-renewable resource problems, but in some ways this part of the book does not quite seem to fit the stated theme, and the analysis is likely already well-known to resource economists.

In conclusion, if readers are seeking a well-formulated set of testable hypotheses concerning vertical market structures in these sectors, then apart from a few chapters in the book that are obvious exceptions, they will probably be rather dissatisfied overall with this book. However, if readers want a wide-ranging discussion of issues relating to organization of the value chain for Norwegian seafood and forestry products, this book has much to recommend it in terms of empirical detail.

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