

## Book reviews

**The World Food Economy**, D. Southgate, D.H. Graham, and L. Tweeten, Oxford: Blackwell, 2006, 402 pp., US\$94.95, ISBN: 1405105968

As the world's population grows, questions persist regarding how global food production will be able to keep pace with increasing demand. Although much has changed since Thomas Malthus examined this issue, economists, industry-leaders, policy-makers, and others continue in their quest to better understand the world food system. *The World Food Economy* fills a niche in this literature, providing an overview of key issues relevant to the world food system and examining historic trends in critical regions.

*The World Food Economy* was originally written for an undergraduate course focusing on global development trends and the capacity of agriculture to provide for the demands of a growing world population. Given that the enrolment in courses of this nature is typically quite diverse, the authors provide a non-technical, easy to understand primer on important issues related to global development and the world food supply.

The book can be divided into two main sections. In the first, chapters 2 through 8, the authors provide a topical analysis of key issues in the world food industry. Of these chapters, chapters 2, 3, and 4 consider the basic elements of the world food economy. Chapter 2 examines factors influencing food demand. Using the Malthusian Theorem as a focal point, population growth and changes in demographics are examined in relation to their impact on food consumption. The role of income in determining consumption is also examined. The chapter looks both at historic trends in demand as well as examining various demand projections. Chapter 3 examines the determinants of food supply. Following an overview of the nature of agriculture, this chapter examines the historic events that have allowed agriculture to keep pace with, and even exceed, population growth. Chapter 4 provides an overview of how supply and demand interact in the market. The impact of government programs and policies is also examined. Appendices at the end of each chapter provide the reader with necessary economic theory.

Chapters 5 through 8 continue the topical format as the authors consider the interaction of agriculture with the environment, globalization, economic development, and food security, respectively. Chapter 5 discusses the impact on the environment of livestock and crop production. Readers are presented with the idea that markets do not always efficiently allocate resources. Chapter 6 discusses globalization. Here the authors

present the theory of comparative advantage, and subsequently identify the net costs of trade distortions. They use these results to highlight both sides in the debate over globalization. Chapter 7 considers the role of agriculture in economic growth, discussing the contributions of agriculture to the development of an economy as well as the need for diversification. Chapter 8 examines the issue of food security by defining what food security is, identifying who the food insecure are and where they reside, and examining the role of economic development in alleviating food insecurity.

Chapters 9 through 15 adopt a geographic approach in considering world food issues. Countries are compared and contrasted on the basis of trends in GDP per capita, population dynamics, agricultural development, dietary change, consumption trends, and food security. Chapter 9 compares these trends across seven regional groupings. The authors provide a more detailed and in-depth analysis of each region in chapters 10 through 15. A synopsis is provided in chapter 16.

Although this book does not provide the level of economic theory that many instructors want in a textbook in international trade or development, the authors have put together in one volume a useful overview of the key issues facing the world food economy. While some may choose to use this book as the sole text for a course in trade and/or development, many will want to use this volume as a supplemental reading to provide both undergraduate and graduate students with a better understanding of the issues and trends within the world food economy.

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**Primary Industries Facing Global Markets: The Supply Chains and Markets for Norwegian Food**, F. Aasche (ed.), Oslo: Copenhagen Business School Press, 2006, 477 pp., US\$44.00, ISBN-13: 978-82-15-01036-6

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." 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

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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**Agricultural Trade and Poverty: Can Trade Work for the Poor?** Food and Agriculture Organization of the United Nations, Rome: FAO, 2005, 210 pp., US\$65.00, ISBN: 9251053499

This book provides an excellent survey on how trade can best be used to enhance food security, address inequality, and improve overall economic growth. The authors document the arguments for and against trade as a means to reduce poverty and improve food security. They also clearly delineate unresolved issues, recognizing that the trade-poverty nexus is complex and depends on each country's specific circumstances and reforms undertaken. Hence, the book offers no unambiguous policy guidance, suggesting instead the use of country-specific analyses.

The book is divided into seven chapters. Chapter 1 outlines the linkages between trade and poverty including price transmission between world and domestic prices, and possible adjustments by households responding to trade liberalization. It outlines the standard arguments by both critics and advocates of trade. Overall, this report sides with the proponents of trade,

making the usual caveats that trade is not sufficient to ensure growth and reduce poverty but that other elements that address binding constraints to growth, macroeconomic stability, and investments in infrastructure, institutions, and human capital must be undertaken. Some argue that trade for developing countries has been very successful overall. Recent research has emphasized the collateral benefits of openness in the form of institutional development, better governance, and reduced market imperfections.

The second chapter provides an overview of agricultural trade patterns in developing countries, highlighting the declining share of agricultural trade due to the declining value of agriculture in the world economy. High protection and subsidies to agriculture in rich countries may partially explain this trend. The ratio of trade to GDP (called trade intensity) is lower in developing countries and is lower for agriculture relative to industry in developing countries (but vice versa in developed countries). Trade in agriculture among developing countries has increased sharply, especially in processed products, reflecting urbanization and increased incomes. However, increase in South-South trade may also arise from tariff escalation in developed countries (against developing-country exports) that has punished investment in value-added production. The sharp increase in non-agricultural trade by developing countries and a rise in trade in non-traditional agricultural commodities (by this same group of countries) reflects, in part, the protection afforded agriculture in developed countries.

Chapter 3 provides an excellent description of the trade-policy landscape in agriculture, noting that, unlike the developed countries, developing countries have undertaken major reforms in agricultural policies since the 1980s. The authors correctly emphasize that domestic support disciplines in the WTO are riddled with loopholes. The discussion on market access highlights the potential adverse effects on developing countries of tariff peaks and tariff escalation in developed countries. A shortcoming of the analysis is the reliance on average tariffs as a measure of import protection, resulting in an understatement in protection by developed countries (and vice versa for developing countries). Average tariffs do not take into account tariff peaks, whereby a few tariff lines protect the bulk of domestic production in rich countries. The OECD, for example, reports production-weighted tariff equivalents that are much higher than those reported in this volume. Furthermore, applied tariffs are much lower than bound tariffs in developing countries. The gap between bound and applied tariffs for developed countries are overstated because preferential tariffs are included and these do not necessarily reduce protection (just divert trade). The book does not analyze tariff rate quotas (which protect almost 50 percent of OECD agricultural production) and the importance of Sensitive and Special Products in the Doha negotiations in reducing the benefits from trade liberalization.

Chapter 4 nicely summarizes the empirical results of model simulations illustrating the benefits and costs of trade liberalization. The consensus is that developing countries tend to gain more from trade than do developed countries, and gain

more from trade amongst themselves than from trade with developed countries. Preference erosion is mentioned as a problem, but the book does not highlight the many costs of these preference schemes as well, like excluding many developing countries and thereby hurting poor farmers through trade diversion.

The last three chapters analyze impacts of trade on poverty and food security, and propose an approach on how to make trade work for the poor. They highlight the concentration of poverty in rural areas and explain the various channels through which growth in agriculture can alleviate poverty at the household level. The labor market is identified as being the most important. These excellent chapters are the most interesting in the book because the authors provide different examples to illustrate when trade works and when it does not. Many different types of studies are reviewed (macro, sector, and firm-level analysis), resulting in different perspectives on the issues. The experiences of countries are also diverse because of different circumstances and initial conditions, requiring one to identify what best suits a country's political and institutional constraints. The heterogeneity of country experiences shows the distribu-

tive effects of trade liberalization are diverse and not always pro poor. However, protection is not always pro poor either.

The book ends with a description of the FAO's twin-track approach to poverty and food security: creating opportunities and ensuring access. A key message is that policies and investments that complement trade reforms are required to enable the poor to take advantage of trade-related opportunities. The establishment of safety nets is also highlighted as a way to protect vulnerable members of society. Overall, this book provides informative insights about the channels through which trade can affect poverty and food security, as well as the importance of establishing transitional policies and properly sequencing reforms.

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