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UMass team targets food industry

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AMHERST — What's the cost of low prices?

That, in a way, is the question resource economists at the University of Massachusetts will explore as they study the effects of business consolidation.

Using a \$168,000 federal grant, they will research how large retailers, manufacturers and food processors are able to lower prices — and how this in turn affects the well-being of farmers, producers, retailers and consumers.

Nathalie Lavoie and Christian Rojas, assistant professors of resource economics at UMass, are leading the project, with help from

the department's chairwoman, Professor Julie Caswell, and Professor Daniel Lass.

"Large food manufacturers and retail giants like Wal-Mart have enormous power to control the cost of what they buy as a result of consolidation," Lavoie said in a statement.

"Once we know the effects of this change on farmers and consumers, the information can be used for strategic planning and guidelines for government intervention."

The team will construct theoretical models to assess forces in the food-supply market, including transportation costs and international commodities markets.

Although the study will look at

national and international issues, researchers believe local communities can benefit by drawing conclusions from the results.

Researchers will inspect, for instance, how large importers are able to move prices, and examine how this affects farmers, retailers and consumers, as well as the quality of the products.

Rojas said existing studies have explored at these characteristics separately, but not as a whole.

"We are interested in looking at looking at the welfare impact as it goes through the whole food chain," Lavoie said.

Overall, the project will see who benefits and loses as a result of business consolidation throughout the supply chain — including

consumers, farmers, processors and manufacturers.

"I think the main thing is to understand who benefits and who doesn't when you have different market characteristics that haven't been studied before," Rojas said.

The project will take a close look at large manufacturers selling to large retailers, such as Wal-Mart. According to Lavoie, large retailers have the ability to drive down the prices of manufacturers. This affects the prices that consumers will and their shopping experience.

The grant was awarded by the U.S. Department of Agriculture and began Jan. 1. The project will run until December 2009.