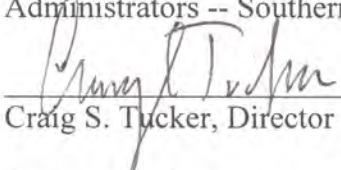




Southern Regional Aquaculture Center
Office of Director

February 1, 2010

TO: Aquaculture Research and Extension
Administrators -- Southern Region

FROM: 
Craig S. Tucker, Director

SUBJECT: Request for Pre-proposals, **due Wednesday, March 31, 2010**

Enclosed is a Request for Pre-proposals to address the proposed SRAC project entitled "Potential Marketing Structures for the Catfish Industry". All scientists wishing to participate in this proposed area of research and extension activity should submit their form to the address below by Wednesday, March 31, 2010. Any applicable extension component should be identified in the proposal.

Enclosed are the following:

1. Request for Pre-proposals entitled "Potential Marketing Structures for the Catfish Industry".
2. Proposal Guidelines -- Send an electronic copy (Word or WordPerfect) of the pre-proposal to the SRAC Director as an email attachment to <ctucker@drec.msstate.edu> by Wednesday, March 31, 2010.

Please forward copies of this memo and the attached information to appropriate departments and individuals within your organization. An electronic version of this memo and attachments can be accessed at <http://www.msstate.edu/dept/srac/whatsnew.htm>.

Enclosures

Request for Pre-Proposals

Copy and Distribute to All Interested Parties

The Southern Regional Aquaculture Center solicits response from qualified multi-state teams interested in participating in the regional project:

POTENTIAL MARKETING STRUCTURES FOR THE CATFISH INDUSTRY

Background

Southern aquaculture industries have declined as a result of competition from low-priced imports, substantial increases in the price of feed, and a weak economy. Although input cost of production has increased substantially, aquaculture industries have found it difficult to pass these cost increases through to consumers. The food marketing literature in recent years has highlighted the rapidly increasing market power of large food retailers. Market power at the retail level makes it difficult for individual suppliers, who are often not linked organizationally or spatially, to pass cost increases through the supply chain. As a result, retailers have the power to exert downward pressure on prices.

Research literature on the market structure of the U.S. catfish industry shows an apparent decrease in market power of catfish processors over time. Earlier work (Kinnucan and Sullivan 1986; Kouka 1995) found evidence for market power at the processor level due to its degree of concentration. However, more recent studies (Hudson 1998; Wiese and Quagraine 2005; Bouras and Engle 2007) provide evidence for competitive behavior of the catfish processing and farming sector in spite of the degree of concentration at the processor level. Results were attributed to the relatively small size of the catfish industry as compared to dominant food service companies (such as Sysco) and large retailers (such as WalMart). This structure results in the inability of the catfish industry to pass cost increases through to end consumers.

Other segments of U.S. agriculture (Idaho potato growers, California peach, almond, and walnut growers, Florida citrus and celery growers, and others) have integrated horizontally using various organizational forms and structures, including market exchanges, marketing cooperatives, marketing orders, market agreements, marketing commissions, market councils, marketing boards, bargaining associations, and others (Lee et al. 1996). Such horizontally-integrated structures provide for control over large volumes of supply that allows the organization to sign large, long-term contracts, have greater influence over the price received by farmers as well as other terms of marketing contracts, and be more responsive to changing market conditions. The research literature has documented some degree of success by some segments of U.S. agriculture in achieving market power (Rausser 1971; Ippolito and Masson 1978; Shonkwiler and Pagoulatos 1980; Shepard 1981; Taylor and Kilmer 1988, and Sexton et al. 2002).

Success of different types of horizontal integration in raising farm-level prices depends upon certain economic characteristics of the product(s) produced, structural characteristics of the industry, and the nature of demand for that particular product (Sexton 1990; Sexton et al. 2002). Research and extension efforts are needed to identify which types of structures are likeliest to result in higher farm-level prices and/or an enhanced market share (Jacquemin and Slade 1989) for southern aquaculture industries. Consequences of implementing each type of structure on the size, volume, and structure of the industry must also be quantified so that industry leaders fully understand both advantages and disadvantages of each alternative.

Results of this project will be useful to all southern aquaculture industries. However, analyses should be targeted towards the U.S. farm-raised catfish industry due to funding constraints and availability of larger databases.

Objectives

The primary purpose of this project is to identify market structures that have resulted in higher farm-level prices for similar agriculture commodities and examine the probable consequences of adopting these alternative market structures and organizations for the U.S. farm-raised catfish industry. More specifically, the objectives are:

1. Identify and characterize forms of market organization (including ownership and control of the processing/packing function) that have successfully resulted in higher farm-level prices and rank the forms of market organization that have the greatest likelihood of success for the U.S. farm-raised catfish industry.
2. Develop comprehensive economic analyses to evaluate likely impacts on the U.S. farm-raised catfish industry of implementing proposed structures. Results would measure effects on: product price, product volume, product characteristics, size of the industry, and competitiveness with imports.

Approach

The project should describe the current market structure of the catfish industry and draw parallels between it and the forms of market organization of agriculture commodities with similar characteristics. The most promising alternative structures for the catfish industry should be selected and ranked.

The project is expected to draw upon existing literature for both the catfish industry and other agriculture sectors to develop a matrix of the various forms of market organization used in U.S. agriculture by commodity. Key factors attributed to the success or failure of various forms of market organization should be identified from the literature. Interviews and focus groups may be necessary for those commodity groups whose organizational efforts have not been reported in the scientific literature.

Quantitative analyses of the likely effect of the most promising alternatives (as identified in Objective 1) on farm-gate prices of catfish should then be developed to meet Objective 2. Quantitative models developed to address Objective 2 should simulate effects of market structure on farm-gate price and other variables such as product price, product volume, product characteristics, size of the industry, and competitiveness with imports. Models should also evaluate the effects of various import and policy scenarios on farm-gate prices of catfish under various alternative market structures.

The extension component of this project will be to organize mechanisms of industry engagement throughout the life of the project. This will include development of networks to support frequent streams of information to industry as the project develops as well as to organize focus groups, meetings, and panels to engage industry representatives to thoroughly vet the relative advantages and disadvantages to southern aquaculture of various alternative market structures.

The outcome of this project is expected to be the identification of market organizational structures with the greatest potential to provide the U.S. catfish aquaculture industry with greater market power to

achieve higher farm-level prices. The project will also provide guidance on the conditions necessary for success for the alternative market organizational structures.

Preference will be given to proposals that include active interaction with appropriate commodity groups throughout the life of the project.

Proposals must address both objectives. To meet the criterion for a regional project, the proposal must include collaboration from scientists in two or more states or territories in the Southern Region (Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, Oklahoma, Puerto Rico, South Carolina, Tennessee, Texas, U.S. Virgin Islands, and Virginia).

Project Duration and Estimated Budget

This project will be funded for up to a maximum of 2 years. Applicants should be aware that a total of \$125,000 is available per year for the 2-year period.

How to Respond

This project will be developed using the “competitive proposal method” as authorized on page 14 of the SRAC policy manual (www.msstate.edu/dept/srac/manual.pdf). Multi-state teams of scientists having demonstrated records of expertise in the subject of this project must complete a project proposal using the format on the attached pages. The proposal must include a one page vita for each participant and a proposed budget for each participating institution or organization. Proposals, vitae, and budgets that are not in the proper format will not be considered. One proposal will be selected for funding based on review by a committee of scientists not involved in any of the proposals that are submitted. Send an electronic copy (Word or WordPerfect) of the proposal to the SRAC Director as an email attachment to <tucker@drec.msstate.edu> by Wednesday, March 31, 2010. Proposals received after that date will not be considered.

Additional information can be obtained from the SRAC office by calling 662-686-3242.

Craig S. Tucker, Director
Southern Regional Aquaculture Center
P.O. Box 197
Stoneville, MS 38776

References

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Proposal Guidelines for the Regional Project

POTENTIAL MARKETING STRUCTURES FOR THE CATFISH INDUSTRY

General Instructions:

Type the project proposal double-spaced using any standard 12 pt typeface using the guidelines below. The completed proposal should contain the following elements:

- 1) A cover page with the project summary
- 2) The project narrative
- 3) Vita for each participating scientist
- 4) Budgets pages consisting of budgets for each institution and an overall budget page for the entire project.

The deadline for proposals Wednesday, March 31, 2010. Send an electronic copy (Word or WordPerfect) of your proposal to the SRAC Director as email attachment to <ctucker@drec.msstate.edu>

Proposal Format:

- 1) Cover Sheet with Project Summary (Page 1)

This page should include the following: a) title of the project; b) the name, institution, address, phone number, and email address of the lead scientist; c) a list of cooperating scientists and their corresponding institutions; d) a Project Summary of 250 words or less. The summary must be self-contained and describe the overall project goals and the approach(es) to meeting the project objective(s). The summary should clearly indicate the nature of collaboration among the various participants.

- 2) Project Narrative (start on new page)

The Project Narrative should not exceed 10 double-spaced pages. The Narrative should contain the following items:

a) Objectives: restate the project objectives as stated in the Request for Pre-Proposals;

b) Procedures: The procedures or methodology to be applied to the proposed effort should be explicitly stated and directly linked to the project objectives. This section should include but not necessarily be limited to a description of the proposed investigations and/or experiments; techniques to be employed, including their feasibility; kinds of results expected; means by which data will be analyzed or interpreted; pitfalls which might be encountered; and limitations to proposed procedures. Also see the description of desired project components under "Approach," above, for additional considerations that you should address in this section.

c) Cooperation and Institutional Units Involved: To meet the criterion for a regional project, the proposal must include collaboration from scientists in two or more states or territories in the Southern Region (Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, Oklahoma, Puerto Rico, South Carolina, Tennessee, Texas, U.S. Virgin Islands, and

Virginia). Identify each institutional unit contributing to the project. Clearly define the roles and responsibilities of each institutional unit of the project team and point out the nature of collaboration. Where possible, show how the work will be conducted in a truly collaborative fashion rather than simply as a division of labor.

d) Project Timetable: The proposal should outline all important phases as a function of time, year by year, for the entire project, including periods beyond the grant funding period.

3) Vitae

Include a one-page vita for each participating scientists. Use the attached format.

4) Budget pages

Include a one-page budget for each institution and a one-page overall budget for the entire project using the attached format.

VITA (centered at top)

(skip one line)

Name

Address

Phone

Fax

E-mail

(skip one line)

EDUCATION

(skip one line)

B.S. (year, major, institution,)

M.S. (year, major, institution,)

Ph.D. (year, major, institution,)

(skip one line)

EMPLOYMENT

(skip one line)

List each position held on a separate line from most recent to oldest

(skip one line)

SCIENTIFIC AND PROFESSIONAL ORGANIZATIONS

(skip one line)

List each organization on a separate line

(skip one line)

SELECTED PUBLICATIONS

(skip one line)

List several recent publications (from most recent to oldest) relevant to the subject area of the project..

Skip one line between each entry.

BUDGET PAGE

A one-page budget proposal for the overall project should be prepared using the format below. The overall budget must be followed by separate budgets for each participating institution.

Salaries of the principal and co-investigators are not allowed and should be considered as institutional contributions. Personnel salary or wage costs should thus reflect only that of technical assistance (research associates, graduate students, etc.) required to accomplish the work; grant funds cannot be used by the institution as a supplemental source for professional salaries. Purchase of nonexpendable equipment is not allowed. Organizations performing work with the support of a SRAC grant are expected to have appropriate facilities, suitably furnished and equipped. SRAC grant funds for research and extension projects may not be used for office equipment and furnishings, air-conditioning, computers, or other "general purpose" equipment.

NOTE: Indirect costs are not allowed. Separate budget(s) must be included for each participating institution. Accountability of expenditures and distribution of funds to participants will be the responsibility of each participating institution.

Proposed Budget for the Regional Project

POTENTIAL MARKETING STRUCTURES FOR THE CATFISH INDUSTRY

Name:

Institution:

	Year 1	Year 2	Total
Salaries and Wages			
Research Associates-Postdoctoral			
Other Professional			
Graduate Students			
Prebaccalaureate Students			
Secretarial-Clerical			
Technical, Shop and Other			
Fringe Benefits (if charged as Direct Costs)			
Total Salaries, Wages and Fringe Benefits			
Materials and Supplies			
Travel within Region			
Publication Costs/Page Charges			
All other Direct Costs (Contractual Services)			
Total (for each year and cumulative)			