



Overview: Globalizing Food Chains: Producer, Company, and Policy Responses

By Bruce A. Babcock and Helen H. Jensen, Guest Editors

The rapid emergence of global food chains has changed how food companies and farmers think about strategic investment, marketing, and production decisions as well as food and agricultural policy. But trade negotiators for developed countries continue to spend most of their time protecting the interests of domestic commodity producers, whereas the top priority of developing country negotiators is to shield their agricultural sectors behind import tariffs while fighting for lower tariffs in developed countries. Even as these efforts continue to bog down any progress in the Doha round of negotiations in the World Trade Organization, the realities of increased urbanization in developing countries, continued income growth in most countries, economies of scale, and comparative advantage are working together to transform the food choices of consumers in both developed and developing countries. The case studies included in this issue of *Choices* highlight some of the key issues facing companies, farmers, and governments as supply chains globalize.

Increased demand by rich-country consumers for a wide variety of high-quality and unique food products has opened up opportunities for food companies and producers around the world. The decreased cost of providing consumers information about product attributes has greatly increased the feasibility of meeting these demands with specialized products. The article by Stricker, Mueller, and Sumner illustrates how this decreased cost of information transmission through an Internet presence can be used by producers of boutique products to greatly expand the geographic range of their customer base, thus allowing them to achieve greater scale than they would be able to if they were limited to local sales only.

The increased demand for quality by consumers is often accompanied by demands for increased assurance

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that the products meet strict sanitary and phytosanitary (SPS) guidelines. Both developed and developing countries are finding that new investments in upgraded food production and processing systems are needed to meet these international guidelines. Pork production systems provide a good example of the trends. Batres-Marquez, Clemens, and Jensen show how these investments are slowly transforming how pork is produced and processed in Mexico, with perhaps unintended impacts on the types of pork products that are being offered domestically. Lence shows how these investments have transformed Spain's pork industry and speculates about whether Spain's producers will choose to make the next set of investments needed to meet ever-stricter requirements.

The technical upgrades and investments required to meet rich-country SPS guidelines put developing countries at a distinct disadvantage internationally, according to many observers. Dong and Jensen review the difficulties that China is experiencing as it tries to upgrade its regulatory system in order to meet international standards. The

authors argue that, ironically, perhaps the biggest hurdle for China to overcome is a lack of central control over SPS systems being used to produce food. The study by Boland, Perez, and Fox shows that developing countries occasionally have an inherent advantage over rich countries in meeting new demands of international consumers. In their study of the Uruguayan beef industry, the authors show how reliance on a traditional grass-fed production system has given the country's producers an advantage at meeting the growing demand for natural beef. After all, it

is easier to adopt a certification system for natural beef when all cattle in the country are grass fed. In this case, country-of-origin labeling of U.S. beef could work in favor of Uruguayan beef producers. The Uruguayans could then differentiate their beef, raised in pastures, without the use of antibiotics and growth-promotants, from U.S. beef, finished with 50,000 other animals in large feedlots. This is yet another example of the complexity of decisions and their effects, both intended and unintended, in global supply networks.

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