

# **Implications of Recent Australian Wheat Industry Developments for**

## **Domestic and Overseas Prices**

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### **Abstract**

A model is developed to examine the impact of commercialization of the former Australian Wheat Board on the pricing policies of a multi-market, price-setting firm. Conceptualizing the change in firm structure as a change in the objectives of the AWB as a shift from a revenue maximizer to a profit maximizer, this paper investigates a risk averse firm's price-setting behavior in an "overseas" and a "domestic" market. In particular, it has been shown that the general effect of commercialization has been an increase in both domestic and overseas prices. During the 1990s, in association with commercialization, the Australian wheat industry also experienced deregulation of the domestic market, a decline in wheat transport costs and a decrease in world market uncertainty. Simulation results suggest that the contemporaneous occurrence of these developments with commercialization may have ameliorated to some extent the price increases associated with commercialization.

**Key Words:** Australian wheat industry, privatization, pricing policies.

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# **Evolution, Current State and Future of EU Trade Preferences for Agricultural Products from North-African and Near-East Countries**

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## **Abstract**

The EU recently completed negotiating a series of Association Agreements with Mediterranean countries. Trade preferences for agricultural goods granted under these Agreements, as well as under former arrangements, are analyzed by calculating the value of preference margins at several stages in the evolution of preferences. The total value of preference margins for all countries covered was about €130 million under the agreements of the mid-1970s and increased by 48 per cent until 1995; by 2000 this value declined by about 14 per cent due to reduced EU MFN tariffs. The extended preferences under the new Agreements more than compensate for this decline and will result in a total value of preference margins of €226 million once all Agreements have entered into force.

**Key Words:** preferential trade, preference margin, Mediterranean countries, Euro-Mediterranean Agreements, preference erosion.

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# **MEASURING MARKET POWER IN THE JAPANESE**

## **CHICKEN MEAT MARKET**

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### **Abstract**

This study investigates the market power of Brazil, China, Thailand, and the U.S. in the Japanese chicken meat market by product type. A residual demand elasticity model is fitted with monthly data from January 1988 to December 2002. The results indicate that China, Thailand and the US have a significant mark-up over marginal cost in the whole birds segment; Brazil and China have a significant mark-up over marginal cost in the chicken leg segment; and no country has a significant mark-up over marginal cost on the other cuts segment. There is evidence that exporters look at the costs of other suppliers when they price their chicken products to the Japanese. The results clearly show that there is much competition in the Japanese chicken meat market. The largest exporters in each market segment price competitively; pricing above marginal cost is only found for smaller exporters in smaller market segments.

**Key Words:** chicken markets, Japan, market power

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## **Revenue Insurance for Spanish Wine Grapes**

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### **Abstract**

Wine grape production in Spain is an economically and culturally important enterprise. However, Spanish wine grape producers are exposed to considerable variability in revenue caused by volatile prices and yields. Revenue insurance is a market-based risk management innovation that can help Spanish wine grape producers indemnify revenue losses that occur due to adverse yields, prices, or both. Using a contingent claims valuation framework and Monte Carlo simulation, actuarially fair premiums for a revenue insurance product for Spanish wine grapes are calculated. The simulation suggests that revenue insurance premiums may be cheaper than similar multi-peril insurance products currently available in Spain. Moreover, subsidized revenue insurance premiums are less expensive than current price support programs. Given pressure on the EU to reduce wine market subsidies in accord with the WTO, the results suggest that revenue insurance may provide Spanish wine grape growers with income stabilization that does not distort trade like current subsidy programs.

**Key Words:** wine grapes, insurance, contingent claims, subsidies, trade

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# **EFFECTS OF TWO NON-U.S REGIONAL TRADE PACTS ON THE VENEZUELAN SOY PRODUCTS TRADE AND U.S. EXPORTS**

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## **ABSTRACT:**

Since the mid-1990s, the two regional trade agreements in South America, the southern Mercosur Pact (among Brazil, Argentina, Paraguay and Uruguay), and the northern Andean Pact (among Venezuela, Colombia, Ecuador, Bolivia, and Peru) noticeably affected certain trade patterns between the two pacts' members and with the United States for various reasons discussed herein. The effect of trade diversion owing to the Andean Pact with its common external tariff and price band system against non-Andean products was examined for soybean and soybean meal imports into Venezuela historically an important market for U.S. products. As well, the recent combining of Mercosur and Andean nations into a single regional trade agreement is likely to further adversely affect U.S. soy product sales to Venezuela. A partial equilibrium, deterministic, and Armington-type model of the Venezuelan market for soybeans and meal was formulated by combining tariffs and the Andean price band variable levy into a single price wedge. Model results suggest that a combined Mercosur and Andean customs union under either a high or a low world soybean product price scenario would noticeably benefit Mercosur suppliers at the expense of the United States as well as adversely affect domestic Venezuelan producers (soybean processors) and fellow Andean member Bolivia.

Key Words: Venezuela, soybeans, soybean meal, trade diversion, Mercosur, Andean Pact, U.S. exports, Armington-type import model, price bands, regional trade agreements

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