Conference Report

On May 29-30, the Economic Research Service hosted a symposium entitled “The Impacts of E-commerce and Information Technology on Global Agricultural Markets”. The Farm Foundation, the University of Minnesota and the Economic Research Service jointly sponsored the symposium. Approximately sixty people from universities, private sector and government attended. Since there is little reliable data available and thus not thoroughly researched, the format of the symposium was informal. The presentations were not formal papers but rather issue papers or thought pieces.

Some themes emerged from the symposium.

1. The Internet affects trading patterns because the Internet reduces information costs and transaction costs and different people, countries or firms adopt the use of the Internet at a different rate. The Internet has had a larger impact in industrialized countries because they have more access to the technology however the marginal impact is stronger in developing countries because they do not have a history of trade. The Internet does not reduce the importance of distance. Transportation costs remain more important.

2. The Internet creates new marketing opportunities particularly for niche or targeted items. It can be used to identify customers and to preserve identity. Standardization is an issue. Standardized products are more likely to be traded. Produce is particularly problematic because of the lack of standardization, the great variety or produces and quality and its perishability. One researcher made the important point that markets in Illinois are very efficient and you would not expect E-commerce to have a large impact.

3. The use of information technology and the Internet in the food retail and produce industries has gone through a transition. Stage One was the field of dreams for the dotcoms. These companies were built on the premise that being "on the internet" was a sufficient competitive advantage to allow them to prosper. Being on the Net was all they needed to do. The second stage was the investments by the brick and mortar companies in the Internet. The Internet helps reduce the costs of setting up and running businesses and may be most helpful in assisting already existing businesses. The problem however was the development and upfront costs of systems development. The third stage was the development of industry verticals such as World Wide Retail Exchange, Transora or Global Net Exchange. To address the problem of up-front costs a common "hub" was created. They were designed for large retailers or companies that looked like large entities. The most recent stage has meant rationalization of the dotcoms that has included consolidation, alliances, and change in focus. Many of the dotcoms in the produce industry have gone out of business. There were 40 proposed sites in 1999. By 2001 there were less than 10 sites.

As a follow-up, both ERS and the University of Minnesota will develop research proposals in the area of E-commerce. At the American Agricultural Economics meetings in August in Chicago, ERS will present a paper summarizing the results of the workshop. The symposium developed a network of people interested in the topics. Representatives from the Canadian Government suggested that a similar symposium be held in Ottawa next year.