

# Competitiveness in International Food and Agricultural Markets

Maury Bredahl, Director  
Centre for Agribusiness Research and Management  
University of Guelph

IATRC Session: Trade and Competitiveness  
December 12, 2011

## Why an issue at this time?

- Strengthening of Canadian dollar.
- Much of Canada is resource and export commodity driven
- Significant change in competitiveness of auto industry
- Importance of greenhouse exports to provincial economy

# Issue: strengthening of Canadian \$



Trade Theory  
*Wealth is set by endowments*  
Adam Smith

Ricardo, H&O,  
Leontief

Extensions

Vernon, Lancaster  
Krugman

Thurow

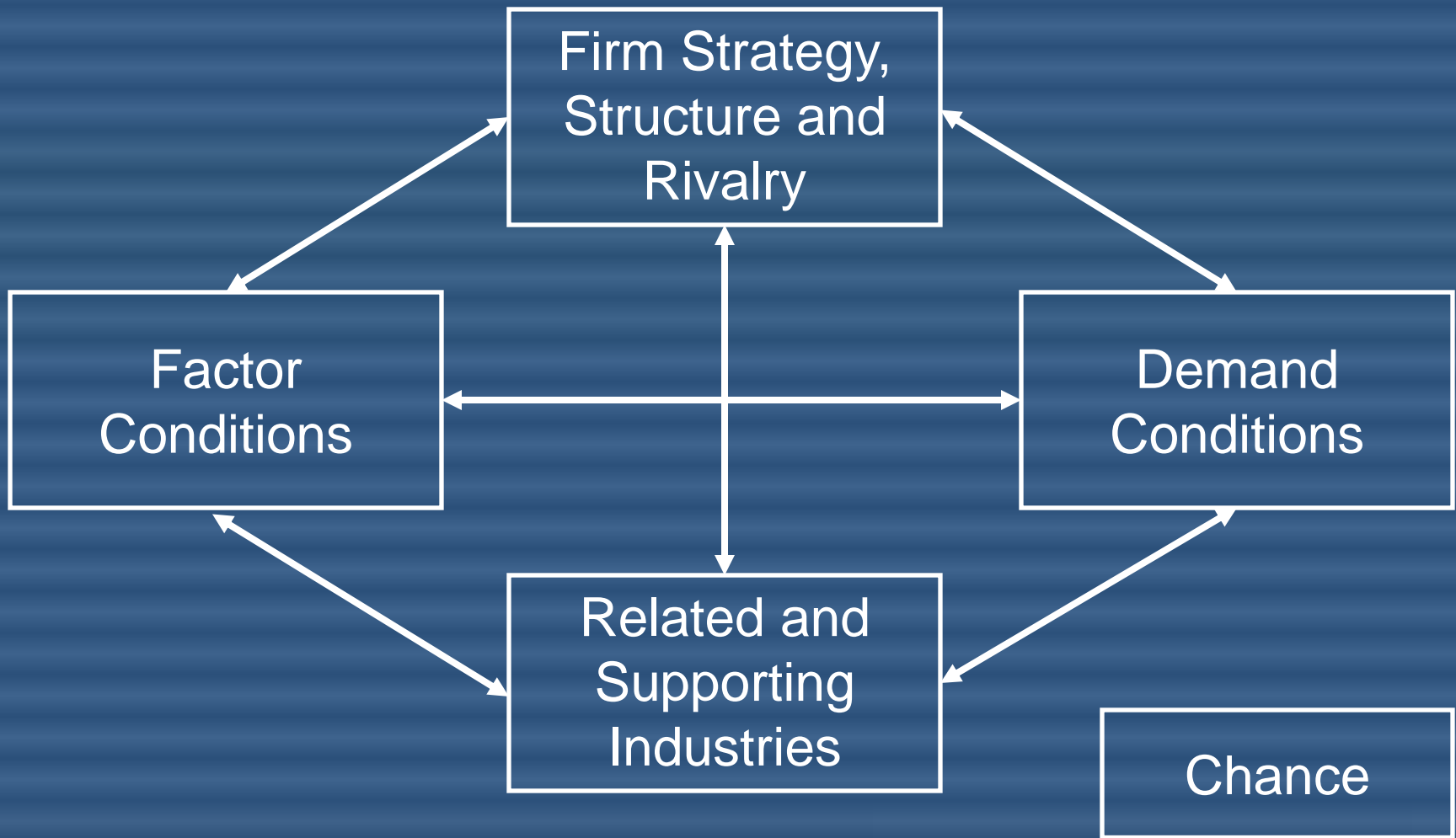
Debate

Krugman

Competitiveness Theory  
*Wealth is created by choices*  
Michael Porter

# Determinants of National Competitiveness

## Five Factor Model



## Why attractive?

In the mid 20<sup>th</sup> century, Ghana was a middle income country. South Korea and Singapore ranked among the least developed countries. Late in the 20<sup>th</sup> century, Ghana ranked among the least developed, South Korea ranked as a middle income country and Singapore was almost a developed country.

Provided an alternative analytical path to the resource determined outcomes of trade theory.

But, not without controversies:

- How is competitiveness measured?
- How is national welfare and policy outcomes measured?

Krugman: Competitiveness leads to a wrong policy set. Loses sight of the potential of trade to create wealth. A beggar-thy-neighbor set of policies. Increased productivity, and supporting policies, is the current path.

## Applications reveal shortcomings of National Diamond

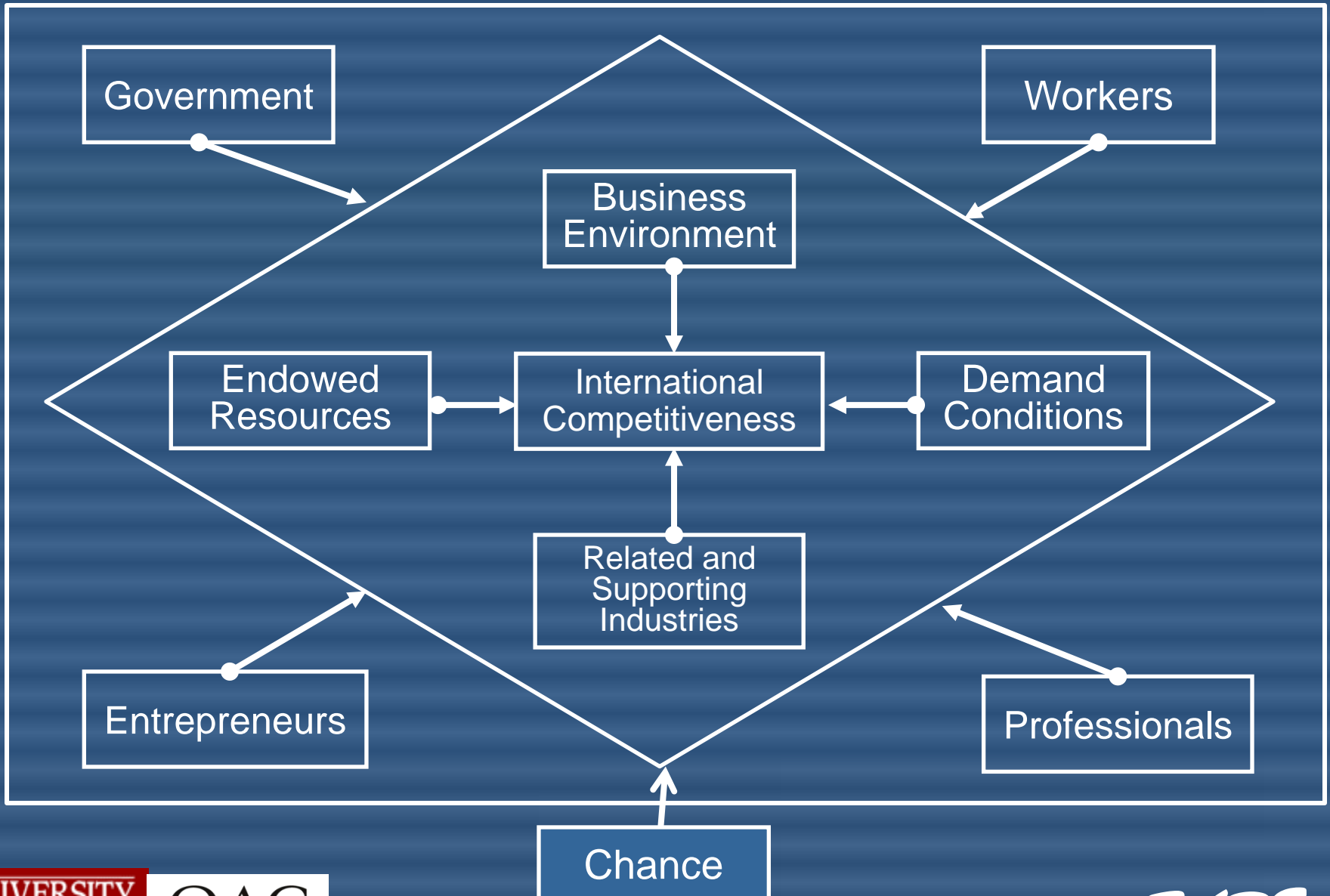
Early 1990s, studies of Canada, Singapore and South Korea proposed what turned out to be erroneous conclusions and wrong-headed policy prescriptions.

### Conclusions:

- Skills of workers, professionals and technocrats (human resources) was not adequately considered.
- The National Diamond did not adequately consider pressures and forces from outside national borders.



# Nine Factor Model



Reformulation to capture importance of management systems and competitiveness:

$$\Pi = P(Q | MS_i) \cdot Q - \Gamma(MS_i) \cdot C(Q) - TC(Q | MS_i)$$

Profit	Total Revenue	Total Cost	Transaction Cost
--------	---------------	------------	------------------

Conclusion:

Management systems, as well as firm strategy, are important element of competitiveness and of increasing productivity through time.

Competitiveness, and official concern for it, drives the policy agenda in most countries.

## Acknowledgements

Canadian Agricultural Trade and Policy Research Network, University of Guelph

Assessing the Competitiveness of Ontario Food Processing Industry: A Capability Development and Stakeholder Engagement Approach funded by the Ontario Ministry of Agriculture and Rural Affairs

## Selected References:

Bredahl, Maury E., Philip C. Abbott and Michael R. Reed. Competitiveness in International Food Markets. Westview Press, Boulder, Co. 1994.

Cho, Dong-Sung and Hwy-Chang Moon. From Adam Smith to Michael Porter: Evolution of Competitiveness Theory. World Scientific Publishing Co. Pte. Ltd., Singapore. 2000.