

6th Global Summit on

AQUACULTURE AND FISHERIES 2017

May 25-26, 2017 Osaka, Japan

Effect of the market structure on the European fish and seafood production industry profitabilityJose L. Fernandez Sanchez, Jose M. Fernandez Polanco, Ignacio Llorente Garcia, Elisa Baraibar Diez, Maria D. Odriozola Zamanillo and Ladislao Luna Sotorrio
IDES-UC, Spain

The purpose of this research is to analyze the effect that the market structure could have on the profit margins of the European (EU28) fish and seafood producers. This research employs the Structure–Conduct–Performance (SCP) paradigm to investigate the simultaneous relationship between price-cost margin (PCM), industrial concentration (IC), and technical efficiency (TE) in the European fish and seafood production industry. So, following Setiawan et al. (2013), the following non-recursive structural model can be formulated:

$$PCM = f(IC, TE, SIZE, GROWTH)$$

$$IC = g(PCM, GROWTH, CI)$$

$$TE = h(IC, SIZE)$$

This simultaneous system of equations has been estimated using the Full Information Maximum Likelihood (FIML) estimation method. Annual industry-macro data from different private and public sources (AMADEUS, STECF, and EUMOFA databases) for each of the EU28 countries during the period 2008–2013 has been employed to estimate the structural model parameters for the fishing and aquaculture sectors. The findings about our structural model are presented in Table 1. So, a good fit of the whole model was obtained and estimation results are majorly in agreement with economic theory. The results show that market growth is negatively related to market concentration whereas capital intensity and the price-cost margin are positively related with industry concentration. Also, it has been found that higher industrial concentration leads to lower technical efficiency. On the other hand, technical efficiency is affected positively by the sector size (significance at the 1% level). Further, technical efficiency affects price-cost margin positively since technical efficiency lowers the per unit cost of production. Finally, industry concentration, technical efficiency, and market growth affect positively industry price-cost margins (at least, in the case of fishing sector, this effect has been statistically very significant) whereas industry size had a negative effect on the fish and seafood producers' profit margins.

Biography

José L. Fernández Sánchez is economist and professor of business economics and organization in the department of business administration at University of Cantabria (UC) in Santander (Spain). He also participates in the UC's research group IDES. He gets a doctoral degree in Business Administration from University of Cantabria and two master degrees in Marketing (ESIC) and Economics (Queens College, CUNY). His research interests are related to corporate social responsibility, corporate reputation and strategy, as well as the sustainability of the primary sector and the food industry.

fernandezjl@unican.es

Notes: