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## SGA Newcomer Award 2018

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### 1st rank

### Neighbourhood Effects in Farm Diversification

Willemijn Vroege

*For the support of further developments in farm diversification, it is important to understand characteristics of diversified farms. This research investigates neighbourhood effects between Dutch farms to better understand the emergence of diversified agriculture. The question arises whether the clustered pattern of emergence of diversification can be fully explained by spatial heterogeneity or that neighbourhood effects are relevant as well. Positive neighbourhood effects may result from social learning and from the existence of common pool resources within communities. With a spatial autoregressive probit model estimating model parameters with Bayesian techniques incorporating Markov Chain Monte Carlo (MCMC) sampling, we estimate the importance of neighbourhood effects in five different diversification strategies. We identified neighbourhood effects within diversification strategies, interactions between different diversification activities and influences of different farm types in the neighbourhood.*

## 2nd rank

# Profitability of Firms in European Food Retailing

David Gil Lanter

*This thesis investigates the drivers and the persistence of profits in European food retailing. With the help of Arellano and Bond's GMM estimator, a large sample of food retailers from five European countries; France, Poland, Spain, Sweden, and the UK are analyzed over the period 2006 to 2014. The research indicates that profits in food retailing are more persistent than in other retail sectors due to oligopolistic market structures. The research also finds that profits are positively influenced by factors such as industry concentration, firm size, firm growth, and market share whereas negatively impacted by firm age and financial risk.*

### 3rd rank

## **Which are the most relevant risk factors in Swiss dairy market and is there consequently an efficiently operating tool insuring those risks?**

Sandro Michael

*In Swiss dairy market income volatility and risk management strategies to cope with income volatility is a topic of increasing interest for farmers as well as for policy makers.*

*The research objective of this study is to assess and compare downside risks for different regions and forms of production. Further the study includes an investigation of the effects of the most important agricultural policy reforms on dairy market downside risk. The assessment presented in this study is based on unbalanced farm-level panel data analysis, using a sample of Swiss dairy farms included in the Farm Accountancy Data Network (FADN). Fixed effects models are applied to measure effects of different farm characteristics (e.g. farm size, direct payments, off-farm) on the variability of gross farm margin and household income. Main factors causing gross farm margin downside risk are milk price volatility and production risk regarding milk yield per cow. Lower milk yield variability on big and intensively producing farms (especially farms in the valley) leads to a decreasing downside risk in gross farm margin. Small farms compensate their higher variability in milk yield due to higher shares of direct payments, off-farm income and par-farm income on total gross revenue. Organic farming reduces both, gross farm margin and household income downside risk.*

*In a second part we discuss the implications for possible risk management instruments. According to the low farm income downside risk in the past there is no need of an insurance tool. Alt-*

*hough there is some evidence that milk price and milk yield will become more volatile in the future (e.g. due to market liberalization and climate change). Farmers adjust their off-farm income and participate on farm programs in the form of ecological payments to manage household income downside risk.*