

Do fluctuations in input impact industry structure

DO FLUCTUATIONS IN INPUT IMPACT INDUSTRY STRUCTURE?

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Abstract

This paper addresses whether and how variations in input may impact industry structure. Here three Norwegian industries producing fresh food from different biological sources are analysed. The products under scrutiny are milk, farmed salmon and wild caught cod. The industries are compared in terms of input variations, public involvement, transaction costs, concentration and degree of firm heterogeneity.

The findings reveal that the industry with the lowest input uncertainty and highest public involvement, i.e. the dairy industry, has the lowest transaction costs and firm heterogeneity, but the highest firm concentration ratio. In the industry "in the middle" with regard to input variations, i.e. farmed salmon, transaction costs are low, the firm heterogeneity high and concentration ratio low. Here the public involvement is the lowest. The industry utilising wild caught cod has the highest input uncertainty, transaction costs and firm heterogeneity. Here also the concentration ratio is the lowest. These observations both confirm and contradict predictions from theory, which are explained and discussed in the paper. Implications are highlighted.

Key words: Input uncertainty, transaction costs, firm heterogeneity and concentration rate