

Agricultural Market Organization and Pricing
Economics 335
Spring 2000

Objectives:

The course will focus on the theory of markets, price determination, and market strategies as they relate to agriculture. The structure of the firm will be discussed, and the interactions of firms in markets will be emphasized. The process of price determination and price discovery will be analyzed. The equilibrium of markets over space and time will be explored. Topics covered will include profit maximization, cost minimization, economies of size and scale, firm organization, competition, monopoly, monopsony, price discrimination, product differentiation, oligopoly, strategic behavior and game theory, cartels, contracts, and bargaining power.

Prerequisites:

Economics 301 (which includes Economics 101 and Mathematics 151 as prerequisites) and Stat 227
 Experience with computers

Instructors:

Arne Hallam
 269 Heady Hall W 294-5861 H 292-8739
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Quinn Weninger
 471 Heady Hall W 294-8976
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Hallam Office Hours:

M,W	10:10-11:00	269 Heady
M	2:00 - 3:00	269 Heady
TR	11:10-12:00	269 Heady

Weninger Office Hours:**Teaching Assistants:**

Chia-yen Yang	83 Heady	294-4842
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Office Hours: TR 9-10, W 12:30-2		

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Office Hours: M 10-11, 2-3, R 2-3, F 1-2

Class Schedule:

Lecture TR	10-11	Agronomy 2050
Lab T	2-4	Heady 272
Lab W	2-4	Heady 272

Basic Text:

Pepall, L. D. Richards and G. Norman. Industrial Organization: Contemporary Theory and Practice. Cincinnati: South-Western College Publishing, 1998 (PRN)

Supplementary Text Material (available in the Economics Reading Room 368 Heady)

Carlton, D.W. and J.M. Perloff. Modern Industrial Organization. 3rd Edition New York: Harper-Collins, 2000 (CP)
 Shy, O. Industrial Organization: Theory and Applications. Cambridge: MIT Press, 1995
 Tomek, W.G. and K.L. Robinson. Agricultural Product Prices, 3rd edition. Ithaca: Cornell University Press, 1990 (TR)
 Rhodes, V.J. The Agricultural Marketing System, 5th edition. Scottsdale: Gorsuch Scarisbrick, 1998
 Kohls, R.L. and J.N. Uhl. Marketing of Agricultural Products, 8th edition. Englewood Cliffs, NJ: Prentice Hall, 1998 (KU)
 Besanco, D., D. Dranove, and M. Shanley. Economics of Strategy 2^{ne} Edition. New York: John Wiley & Sons, Inc., 1999
 Helmerger, P.G. and J.P. Chavas. The Economics of Agricultural Prices. Upper Saddle River, NJ: Prentice Hall, 1996
 Shepherd, G.S. and G.A. Futrell. Marketing Farm Products; Economic Analysis. Ames: Iowa State University Press, 1982
 Futrell, G.A. and R.N. Wisner. Marketing for Farmers. St Louis: Doane Information Services, 1987
 McCoy, J.H. and M.E. Sarhan. Livestock and Meat Marketing, 3rd edition. New York: Van Nostrand Reinhold, 1988
 Cramer, G.L. and E.J. Wailes. Grain Marketing. Boulder: Westview Press, 1993

Dahl, D.C. and J.W. Hammond. Market and Price Analysis: The Agricultural Industries. New York: McGraw Hill, 1977

Evaluation:

Students will be evaluated based on their ability to analyze the competitive structure of agricultural markets, and to evaluate market alternatives for agricultural firms. Students will demonstrate competence in a variety of ways.

Class examinations - There will be 2 in-class examinations. These examinations will be on February 10th and March 23rd. 200 points

Final examination - The final examination will be comprehensive and will be given during the final examination period. You must take it at the time scheduled unless you have three examinations on that day. 200 points

Class quizzes - There will be 8 in-class quizzes given at random times during the semester. Your five best scores on these quizzes will count. There will be no make-up for any of these quizzes. If you miss a quiz, you will receive a zero for that quiz. 100 points

Problem sets - There will be 13 problem sets during the semester to test each student's ability to formulate problems in an economic context and provide appropriate analysis. They will be worth 10 points each with an additional 20 points if all are turned in. Problem sets will be collected at the beginning of class each Thursday. **Late problem sets will not be accepted** unless you have informed me prior to the due date that you will be unable to meet the deadline due to circumstances beyond your control. You may hand the problem sets in early. 150 points

Papers - Students will be expected to prepare 2 papers during the semester.

The first short (2-3 pages) paper will discuss a strategy question for a representative firm. Students will choose a question from a list to be handed out in the second week of the course. The paper will be due February 24th and will not be accepted if late. The paper must be typed. 20 points

The second will be longer (6-7 pages) paper discussing the competitive strategies of an individual firm in an imperfectly competitive market. The paper will be due April 25th. The paper will not be accepted if late (no incomplete grades). This paper must also be typed. 60 points

Class participation - There will be a number of in class activities for which participation is expected. 20 points

Total possible 750 points

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Course Schedule**

Month	Date	Day	Lec	Lecture Topic	Reading	Lab #	Lab Topic
Jan	11	T	1	Agricultural markets & market analysis	PRN 1	1	Agricultural markets/ technology
Jan	13	R	2	Production technology and optimizing behavior	PRN 2, CP2		
Jan	18	T	3	Production technology and optimizing behavior	PRN 2, CP2	2	Technology/costs/optimization
Jan	20	R	4	Costs and the theory of production	PRN 2 , CP2		
Jan	25	T	5	Costs and the theory of production	PRN 2, CP 2	3	Technology/costs/optimization
Jan	27	R	6	Production functions and productivity	PRN 1, CP 2		
Feb	1	T	7	Economies of scale and scope	PRN 1, CP 2	4	Economies of size, scope, and scale
Feb	3	R	8	Beyond the neoclassical firm	PRN 1, CP1		
Feb	8	T	9	Competition	CP 3	5	Competition
Feb	10	R		Examination 1			
Feb	15	T	10	Competition	PRN 1, CP 3	6	Competition
Feb	17	R	11	Competition	CP 3		
Feb	22	T	12	Monopoly, welfare and discounting	PRN 1, PRN 3	7	Monopoly and welfare
Feb	24	R	13	Monopoly and monopsony	PRN 3		
Feb	29	T	14	Monopoly and price discrimination	PRN 3	8	Monopoly and monopsony
March	2	R	15	Price discrimination	PRN 3, CP 9		
March	7	T	16	Price discrimination	PRN 3, CP9	None	None
March	9	R	17	Multiproduct monopoly	PRN 4		
March	13-17	M-F		Spring Break		None	None
March	21	T	18	Spatial competition	PRN 4, CP 7	9	Price discrimination
March	23	R		Examination 2			
March	28	T	19	Spatial competition	PRN 4	10	Price discrimination and spatial competition
March	30	R	20	Introduction to strategic form game theory	PRN 5		
Apr	4	T	21	Dominant strategies and Nash equilibrium	PRN 5	11	Spatial monopoly
Apr	6	R	22	Sequential games	PRN 5		
Apr	11	T	23	Oligopoly: Cournot models	PRN 5, CP6	12	Game theory and competition
Apr	13	R	24	Oligopoly: Bertrand models	PRN 5, CP6		
Apr	18	T	25	Sequential move game theory and oligopoly models	PRN 5, CP6	13	Oligopoly models
Apr	20	R	26	Monopoly power and predatory behavior	PRN 6, CP 4		
Apr	25	T	27	Monopoly power and predatory behavior	PRN 6, CP 4		Paper presentations
Apr	27	R	28	Collusion and Cartels	PRN 7, CP 6		
May	1-5	M-F		Final examination week			