Econ 235
Agricultural Firms, Markets, and Prices
Fall 2006
NSRIC 1131
Tuesday-Thursday 12:40-2:00

COURSE ADMINISTRATION

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Office hours TTH 3:40-4:40 pm (460D)

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Thursday (11:00 am – 12:00 pm).

Prerequisite: Econ 101

Course Description:
This course examines several major areas in agricultural marketing. First, we
analyze the functions performed by the marketing system from an economic
point of view. Second, in order to understand the economic performance of
the marketing system, we will analyze the behaviour of marketing firms
(farms, food processors…) on the different markets. We will describe
marketing strategies used by agricultural firms with a special emphasis on
the use of futures and options markets. Finally, current issues and trends in
markets for agricultural inputs and products are explored.

Course Objectives:
Upon successful completion of this course, students should:

- Understand the functions performed by the marketing system.
- Assess the effect of market imperfections on the performance of the
  marketing system.
- Understand the role of government and public policy on the marketing
  system.
- Know the basic workings of futures and options markets.
- Be able to use futures and options for risk management and
  speculation.
• Be able to apply basic economic concepts to predict the likely effect of various marketing system changes (e.g., changes in regulations, taxes, consumer preferences, technology) on prices and quantities.
• Be aware of current issues and trends in agricultural marketing.

Reading Materials:

The required textbook is:

Grading: Exams 75%
Homework Assignments 25%

The date of the exams will be announced during the course. Participation in class is especially important and will be used to determine the grade in borderline cases. For example, if a student’s grade is between B and B+, her/his final grade will be B+ if she/he has participated well in class and B if she/he did not participate.

Guest speakers:
• Chad HART (CARD) will talk about current issues in agricultural policy.
• Jacinto FABIOSA (CARD) will talk about Demand analysis.
• Regis LEFAUCHEUR (Decision Commodities) will talk about options and futures.

The presence of student is required during these interventions and it is expected that questions related to these presentation will be part of the exam.

Other Course Policies or Procedures:
• Students should study the materials covered in the assigned readings and in the class lectures to prepare for the exams.
• A student will be excused for missing the midterm exams only if she/he provides the instructor a written statement from the Student Health Center or a medical doctor indicating the nature of the emergency. Make-up exams will be given only if a valid reason for missing these exams is given and proven (medical certificate). Having
other exams on the day of the exam is not a valid reason for missing an exam. Similar policy applies to homework assignments.

- Homework assignments must be turned in to the teaching assistant. If a homework assignment is not turned in on time, it will receive a 25% discount penalty per each day late. For instance, if the homework deserves 80 points but is turned in two days after the deadline, it will receive only 40 points.
- The student should read the chapters of the textbook before every lectures.
- During the course, I develop simple decision-making model to highlight some aspects of firms or agents’ behaviour. These examples are important for the student’s economic intuition.

### Tentative Course Outline

<table>
<thead>
<tr>
<th>Topic</th>
<th>Readings</th>
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<tbody>
<tr>
<td>• Introduction to agricultural marketing.</td>
<td>KU-1, KU-2</td>
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<tr>
<td>• Futures: Basic concepts.</td>
<td>KU-20</td>
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<td>• Hedging and the use of futures for risk management.</td>
<td>KU-20</td>
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<tr>
<td>• Options: Basic concepts.</td>
<td>KU-20</td>
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<td>• The use of options for risk management.</td>
<td>KU-20</td>
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<td>• Price forecasting, situation and outlook</td>
<td>KU-8, KU-10</td>
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<td>• Markets and the economics of the form, processing.</td>
<td>KU-5, KU-6</td>
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<td>• Markets and the economics of the space, transportation.</td>
<td>KU-7, KU-18</td>
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<td>• Markets and the economics of the time, storage.</td>
<td>KU-10, KU-19</td>
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<td>• Marketing margins.</td>
<td>KU-11</td>
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<td>• Competitive conditions in agricultural markets: Perfect competition, monopoly, oligopoly, monopolistic competition.</td>
<td>KU-9</td>
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<td>• Market structure: Vertical coordination, integration.</td>
<td>KU-12</td>
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<tr>
<td>• Market structure: Market power, marketing boards, cooperatives.</td>
<td>KU-13, KU-15</td>
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<td>• Market information.</td>
<td>KU-16</td>
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<td>• Standardization and grading.</td>
<td>KU-17</td>
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<td>• Government role in agricultural markets: Government price, income, and marketing programs.</td>
<td>KU-21</td>
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<tr>
<td>• Government role in agricultural markets.</td>
<td>KU-22</td>
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