

AEB 6383
INDUSTRIAL ORGANIZATION OF
AGRICULTURAL MARKETS

3 CREDITS

INSTRUCTOR: Ronald Ward

FALL 2006: Section 3003X and Final Schedule 13E (Dec 13 5:30-7:30pm)

ROOM: Tuesday - Period 9 & 10 4:05 pm - 5:30 pm (MCC 2186)
Thursday - Period 9 & 10 4:05 pm - 5:30 pm (MCC 2186)

OFFICE HOURS: MWF - 9:00 am - 5:30 pm
TThF- 9:00 am - 3:00 pm

Webpage: <http://www.fred.ifas.ufl.edu/~rward/AEB6383/>

Application of economic theory to analysis of market structure and its impact on conduct and performance of agricultural industries. An evaluation of the effects of current public and institutional arrangements under which the marketing system operates.

TEXT: no required text - reading will be posted

SUPPLEMENTAL READINGS: Articles will be distributed in class or put on the server in Word Perfect format. All graphs will be on the server and directly accessible.

EXAMS: The course grades will be based on two exams and a classroom presentation by each student. Each student will be required to give one classroom presentation to the full class, based on a topic randomly selected from a list of topics.

First Exam	35% early October
Final Exam (13E)	45% December
Presentations	15% early November
Classroom participation	5%

I. INTRODUCTION TO INDUSTRIAL ORGANIZATION LITERATURE

- A. Problems and Concepts
- B. Methods and Analysis
- C. History of Industrial Organization
- D. Structure, Conduct and Performance

II. STATIC THEORY OF PERFECT COMPETITION AND WORKABLE COMPETITION

- A. Assumptions of Perfect Competition
- B. Short Run Equilibrium
- C. Industry Supply Curve
- D. Long Run Equilibrium
- E. Political Arguments for Perfect Competition
- F. Dynamics of Industries
- G. Industry Cost Analysis
- H. Taxation and Perfect Competition

III. MONOPOLY THEORY

- A. Causes and Assumptions
- B. Equilibrium Theory
- C. Long Run versus Short Run
- D. Dynamics of the Monopoly Model
- E. Cost Analysis
- F. Comparison of Monopoly and Perfect Competition
- G. Price Discrimination

IV. MONOPOLISTIC COMPETITION

- A. Assumptions of Model
- B. Equilibrium Theory
- C. Comparison with Other Models

V. OLIGOPOLY THEORY

- A. Concept of Rivals and Reactions Functions
- B. Stackelberg Model
- C. Kinked Demand Curve
- D. Collusive Oligopoly
- E. Cartels and Price Leadership
- F. Dominate Firm Theory
- G. Market Sharing Theory

VI. CONDITIONS OF ENTRY AND EXIT

- A. Enter and Entry Forestalling Price Theory
- B. Barriers to Entry
- C. Product Differentiation
- D. Economies to Scale
- E. Absolute Cost
- F. Market Shares

VII. INDUSTRY CONCENTRATION

- A. Overview of Concentration in Agricultural Industries
- B. Learner Index
- C. Rothschild Index
- D. Bain's Index
- E. Papondreaus' Index
- F. Consumer Surplus
- G. Concentration Ratios
- H. Lorenz Curves
- I. Herfindahl Index
- J. Hall-Tideman and CCI Indices

VIII. MARKOV CHAINS AND CONCENTRATION

- A. Methods and Interpretation
- B. Application of Markov Chains
- C. Policy Implications to Markov Chains

IX. THEORY OF GENERIC AND BRAND ADVERTISING

- A. Barriers to Entry
- B. Overview of Agricultural Advertising
- C. Dorfman-Steiner Model
- D. Chang Model
- E. Advertising and Concentration
- F. Advertising Effectiveness in Agricultural Markets

X. ALTERNATIVE PRICING MECHANISMS IN AGRICULTURAL MARKETS

- A. Agricultural Product Prices
- B. Role of Prices in Agricultural markets
- C. Usefulness of Price Theory to Price Makers
- D. types of Price Discovery Systems
- E. Auction Markets
- F. Private Treaties
- G. Administrative Pricing

- H. Group Bargained Prices
- I. Marketwide Supply-Demand Estimation
- J. Formula Pricing
- K. Government Regulations Direct on Prices

XI. FORWARD PRICING

- A. Problems of Risk in Agricultural Markets
- B. Methods of Forward Pricing
- C. Futures Trading Theory
- D. Concept of Basis Theory-Risk Ratios
- E. Optimal Trading Model
- F. Seasonality in Futures (FCOJ case study)
- G. Role of Futures Options

XII. MARKET ORDERS AND MARKETING BOARDS

- A. Cooperative Theory
- B. Statistical Trends in Use
- C. Case Studies

XIII. COOPERATIVE THEORY

- A. Cooperatives and Micro Theory
- B. Short and Long Run Models
- C. Open and Restrictive Membership Models
- D. Structural Dimensions to Cooperatives
- E. Legal Considerations

XIV. REVIEW OF LEGAL STRUCTURE (time permitting)

- A. Antitrust Legislation
- B. Governmental Regulations in Agriculture
- C. Market Structure Policies