

EA 310
Spring 2005

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AGRICULTURAL MARKETING

Text and Other Materials :

Selected Readings (On WebCt)

-Wall Street Journal: In class sign-up by group, at about \$12.00 per person

-Computer Simulation Program: Cost \$19 per group

Objectives:

1. To provide students with the basic concepts needed for understanding the economics and institutions related to agricultural marketing.
2. To help the student develop a capability to use the futures market as a risk management tool

Grading (by Percent):

10% - Homework problems (2-3 problems)
5% - Short Quizzes (3)
5% - Attendance Quizzes (Six, Drop One)
20% - Futures Simulation Analysis
60% - Three Exams (3rd can be optional)
100%

Policy on Homework: Homeworks are due before the end of the day on the due date. You can hand it in within two days of the due date with a 5 percent penalty and any time before it is returned to class with a 10 percent penalty. After that, a homework handed in will receive a grade of 65 percent until three weeks after the due date, when the homework will no longer be accepted.

Simulation: There will be a group computer simulation project to give you experience speculating in the futures market. With this project, you will report on how well you performed: why did you lose or make money; what economic conditions affected your success or failure in the market place. This will be written up and handed in by April 30th

Office Hours: Monday, Tuesday and Wednesday, 2pm to 4pm; Thurs, 11am to 2pm. Or by Appointment, office phone is 491-6951.

Course Outline:

**Section One: Time Form and Place Dimensions of Agricultural markets
(Five weeks – Test around 3/4)**

- a. Introduction and overview of Food Marketing (Sch.- Ch. 1)
- b. Demand Functions and the Law of Demand (Kohls and Uhl Ch. 4)
Direct and Derived Demand and Demand Shifters
- c. Agricultural Production and Marketing
The Supply Function and The Supply Shifters
- d. The Role of Futures; The Hedger and the Speculator;
Relationships between Cash and Futures Prices;
The basis: Perfect and Imperfect Hedges; (CBOT Handout)
- d. Temporal Aspects of Agricultural Markets
General Pattern of Inventories and Prices
Cycles and Trends in Agricultural Prices
- e. Spatial Dimensions of Prices

Section Two Quantitative Perspectives (Five Weeks – Test about 4/23):

- a. Elasticity of Demand and Supply (Kohls and Uhl, Chs. 4, 8 and 14)
Cross-Price Elasticity, Income Elasticity, and other elasticities
Price Flexibility, Promotion and Niche Markets
- b. The Elasticity of Supply (Kohls and Uhl, Ch. 8)
- c. Combining Demand and Supply Concepts (Kohls and Uhl, Ch. 8)
- d. Real Pricing (Sch. Ch. 3); Nominal and Real Prices; the inflation rate and CPI;
Inflating dollars and Deflating dollars
- d. Marketing Margins and Farm-Retail Price Spreads Price (Kohls and Uhl, Ch. 11)
- e. Processing, Wholesaling and Retailing (Kohls and Uhl, Ch. 5 and 6)

Section Three (Three Weeks – Test during Finals Week):

- a. Marketing as a Value-Added Process: Vertical Coordination and Wal-Mart Story

FINAL EXAM:

Section 1: 9:10 am, Wed., May 11; Section 2: 7am, Fri.. May

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