

Economics 432

Agribusiness Firm Management

FALL 2002

Instructor: Corinne Langinier, 383 Heady Hall, tel: 294-5830, e-mail: langinier@econ.iastate.edu

Time and Location: Tuesdays and Thursdays 2:10-3:25 PM, 2315 Food Science building

Office Hours: Tuesdays and Thursdays 1:00-2:00 PM and by appointment

Web Page: <http://www.econ.iastate.edu/faculty/langinier/432.html>

Prerequisites: Econ 335 Agricultural Market Organization and Pricing

Recommended Textbook:

Managerial Economics: Theory, Applications, and Cases, by Edwin Mansfield, Bruce Allen, Neil Doherty, Keith Weigelt, Fifth Edition, Norton, 2002.

Complementary Textbooks:

1. *Modern Industrial Organization*, by Dennis Carlton and Jeffrey Perloff, Third Edition, Harper-Collins, New York, 2000.
2. *Managerial Economics and Business Strategy*, by Michael Baye, Third Edition, Irwin, The MacGraw Companies, Boston, 1999.
3. *Economics of Strategy*, by David Besanko, David Dranove and Mark Shanley, Second Edition, John Wiley and Sons, New York, 2000.
4. *Introduction to Industrial Organization*, by Luís Cabral, the MIT Press, 2000.
5. *The Structure of American Industry*, by Walter Adams and James Brock, Prentice Hall, 2001.

Complementary Readings:

The Economist.

Wall Street Journal.

Web links:

About US department of Agriculture: <http://www.usda.gov>

<http://www.agribiz.com/>

American Agricultural Economics Association: <http://www.aaea.org/>

International Food and Agribusiness Management Association: <http://www.aaea.org/>

National Agri-Marketing Association: <http://www.nama.org/>

United Agribusiness League: <http://www.ual.org/>

Grading: There will be 6 homework assignments, a term paper (by group), 2 midterm exams and a final. They will count toward the grade as follows:

Assignments and Class Participation	20%
Case Study (Term Paper)	10%
First Midterm	20%
Second Midterm	20%
Final	30%

Course Overview and Policies:

This course is concerned with the strategic management of agribusiness. We will examine and analyze decision-making tools and problem-solving techniques available to managers. This course will cover

- cost, market, scale, scope and boundaries of the firms;
- Market structure, competitive forces, profitability prospects, and rivalrous behavior;
- Production, pricing, positioning and incentive decisions for an agribusiness;
- the role of information in strategic decision making.

There will be **two midterm exams** and **one final**. All two midterm exams will take place on Thursday. There will be no make-up exams. If students miss a midterm exam and have a well-documented, university-approved excuse (such as a severe illness), the grade weights for the other midterm and the final exam will be scaled up appropriately. All students must take the final exam to be assigned a grade.

Homework assignments will be assigned approximately every two weeks on Tuesday. All homework assignments will be due the next Tuesday. They will not be accepted late for any reason. There will be six homework assignments and every homework assignment will be included in the final grade calculation. Attendance is a very important part of the course and students will be graded on class participation.

The **term paper** will be of no more than 10 pages, 1.5 spacing, 12 point font. Students will work in teams of 2-3 to produce these papers. Each group must choose their topic (the company and the management problem) during the 5th week. An intermediate Paper Memo (of 1/2 page) will be required at the end of the 8th week of term. The final paper is due at the beginning of the 16th week of term and will be presented by each group to the rest of the class the same week.

The paper will include two parts.

1. The first part will present
 - a brief introduction of the historical evolution, structure and performance of the industry.
 - An overview of the considered company in terms of history, organization, objectives, products and services, customers and suppliers, strategies, profitability.
2. The second part will include an analysis of a selected management problem using the principles developed in the course (vertical coordination, mergers-acquisitions, internal re-organization, pricing strategies, investment decision making, risk control and information management...)

Tentative Class schedules and Topics (may be subject to changes):

- Week 1:** *Chapter 1:* Introduction to the Agriculture Industry and Managerial Economics (Chapter 1, Mansfield, Allen, Doherty, and Weigelt (MADW)).
Mathematics Review (Chapter 2, MADW).
- Week 2:** *Chapter 2:* Economic Preliminaries (Demand and Supply) (Chapter 1, MADW).
Chapter 3: Review of Consumer Theory: Methodologies in Demand Analysis (Chapter 3, MADW).
Consumer Behavior (Chapter 4, MADW).
Homework Assignment #1 (Chapters 1,2, 3 and mathematics review) due Tuesday, September 10.
- Week 3:** *Chapter 4:* Theory of the Firm: Cost Structures and Product Process (Chapters 7 and 9, MADW).
- Week 4:** *Chapter 5:* The Nature of Industry: Structure-Conduct-Performance (Chapter 8, Carlton Perloff).
Homework Assignment #2 (Chapters 4 and 5) due Tuesday, September 24.
- Week 5:** *Chapter 6:* Perfect Competition and Monopoly (Chapter 10, MADW).
Term Paper: Choice of the company and the management problem.
- Week 6:** Review Session, **First Mid-Term: Chapters 1 to 6.**
- Week 7:** *Chapter 7:* Introduction to Game Theory (Chapter 12, MADW)
Homework Assignment #3 (Chapters 6 and 7) due Tuesday, October 15.
- Week 8:** *Chapter 8:* Competition in Oligopoly Market (Chapters 11 and 13, MADW).
Term Paper: Progress Report (1/2 page).
- Week 9:** *Chapter 9:* Product Differentiation: Models of Hotelling and Salop. (Chapter 7, Carlton Perloff)
Homework Assignment #4 (Chapters 8 and 9) due Tuesday, October 29.
- Week 10:** *Chapter 10:* Vertical Integration and Mergers. (Chapter 12, Carlton Perloff)
- Week 11:** Review Session, **Second Mid-Term: Chapters 7 to 10.**
- Week 12:** *Chapter 11:* Economy of Information. (Chapter 13, Carlton Perloff)
Homework Assignment #5 (Chapters 10 and 11) due Tuesday, November 19
- Week 13:** *Chapter 12:* Contract Theory. (Chapter 16, MADW)
- Week 14:** **Thanksgiving holidays**
- Week 15:** *Chapter 13:* Intellectual Property Rights and Patents. (Chapter 16, Carlton Perloff)
Homework Assignment #6 (Chapters 12 and 13) due Tuesday, December 10.
- Week 16:** *Term Paper:* Presentation of the case studies.
- Week 17:** **Final Examination**