

FRE 502: Topics in Food Market Analysis

Fall Term 2015

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Overview:

This course covers topics related to food prices and how food markets work, both from an aggregate perspective of food and resource markets, and the perspective of specific commodity markets. This includes food price determination and predicted price paths, comparing the functioning of domestic and international food markets, trade in food products and issues related to the integration of commodity markets, market power in food markets, and role of institutions in their operation. The course emphasizes combining theory with data, learning how markets work in the real world, and getting the appropriate data to undertake their analysis. Various models of food markets will be covered, and a sample of specific markets will be analyzed, including some resources.

Learning Objectives:

- Use a variety of analytical tools to probe questions and important issues concerning food markets, both domestic and international
- Develop an ability to review critically articles and studies concerning food markets
- Learn key issues in undertaking sound empirical analyses in the food sector, including importance of data and institutional elements
- For at least one food commodity, integrate the specific topics below to arrive at a sound understanding of its economics, such as reading into this from price patterns, assessing margins within the marketing chain, understanding technical change at farm and processing levels, interpreting evidence of demand shifts over time, the effects of international competition and trade patterns, market concentration, and any other key economic changes within the recent past.

Policies and Deadlines

As an important element of a professional program, designed to prepare you for success after you leave UBC, it is assumed that you will arrive in class on time and hand in assignments on time. Late arrival more than twice will result in a loss of 5 percentage points in the grading scheme. If there is an exceptional situation requiring late arrival, early departure, or absence from class, a student with a valid reason must email the MFRE Program Coordinator (mfreadmin@exchange.ubc.ca) at least two days before the date, or as soon as possible in an emergency. Similarly, your full attention in class is expected. It is a classroom policy to turn off your mobile phones in class (including no sending or reading text messages). Similarly, it goes without saying that I expect when you are using your laptops in class that you are taking notes or accessing materials relevant to our class from your internet access, NOT using Facebook or using MSN or equivalent messaging software. You can do that on your own time, not in class.

Similarly, plagiarism is a very serious issue at UBC. When you write a paper, you should do your own work. If you use others' work such as to learn from it, that is fine but you must credit them. If you quote from them, you must indicate this appropriately and put their work in quotations. I treat this as a 'plus' for your work to show that you have read the literature widely. So quoting from another person, and showing it as such is an advantage, not a sign of weakness on your part.

Course Administration:

Lectures: Tu Th 1030am-12:30am, FNH 50; plus periodic classes on Friday (Sep 25 or Oct 2) in Rm Angus 324, 09:30-11:30am. We will use these Fridays time to make up the odd missing class, cases where another lecture is cancelled. One example is October 15. I will notify you in advance of any others if they should arise.

Office Hours: Tue/Thu 12:30-13:30

Grades:

Class Participation	7%
Midterm	20%
Problem Sets (3 @6)	18%
Final	35%
Class Paper	20%

Midterm Date: Oct 13th

Final Exam: December t.b.a.

Problem Sets: one late Sep, one late October, one mid-late November

Textbook and Reading Materials:

No one course textbook. Various readings will be assigned on a topic-by-topic basis. See outline of topics listed below.

Some background material is found in the following:

R. Schrimper, *Economics of Agricultural Markets*, Prentice Hall 2001; HD1433 .S37 2001

(on reserve in Woodward Library)

Alex McCalla and Tim Josling, *Agricultural Policy Analysis*, Macmillan, 1985

(on reserve in Woodward Library)

FRE 502: Course Topics/Schedule 2014

1. Aggregate Food Price Dynamics [Sep 8, 10, 15, 17, 22, 24, 25] [Sumner, McCalla, Ch2 S&H, N&L Ch3,5]
 - a. LR commodity price trends, past/present (Lecs 1, 2)
 - b. Short term price patterns: livestock/tree fruit price cycles (Lec 1)
 - c. Seasonal Price Movements: storage, seasonality (Lecs 3, 4)
 - d. Volatility: evidence, mkt thickness/liquidity, dynamics (Lec 5)
 - e. Biofuels Issues: a revised view of price movements (Lec 6)
 - f. Equilibrium Displacement Models and modelling P movemnts (Lec 7)

*Problem Set #1: hand out Sep 24; hand in Oct 1, hand back Oct 8
 2. Trade [Sep 29, Oct01] [McCalla-Josling Ch 2, Reed Ch. 3, 4, 8 (2001)]
 - a. Excess Supply and Demand models (Lec 8)
 - b. Effects of various government programs on world prices (Lec 8)
 - c. Applications of ESED: currency depreciation (Reed pp.118-120), transport costs Lec 9
 3. Concentration [Oct 6, 8, 20, 22] Reading: N&L Ch 4, 6, 10, 11; McCorriston Ch 6 S&H, Sexton2)
 - a. Food margin analysis (farm-retail price spread model) Lec 10
 - b. Monopoly, monopsony, vertical integration Lec 11 (Dairy data; McCorriston)
 - c. Supply chains; Reardon, Sexton paper(s) on supermks etc Lec 12, 13

*Problem Set #2: hand out Oct 22; hand in Oct 29; hand back Nov 5
- Midterm Exam: Oct 13 [Oct 15 no class*]
4. Market integration [Oct 27, 29, Nov03]
 - a. Overview, Rural urban markets model (Timmer et al Ch. 4) Lec 14
 - b. Domestic-world market integration (Sarris-Hallam, Ch 8) Lec 14b
 - c. Two cases: Indonesian Labour Mkt (rural vs urban); Lec 15

5. Institutions in Food Markets [Nov 5, Nov 10, Nov12, Nov 17] [RB papers]
 - a. Milk in Canada Lec 16
 - b. Options for CDN Dairy, Exports Lec 17
 - c. STEs, BULOG, and International Trade (cif, fob) pricing Lec 18-19

 6. Domestic, World Markets, Cases: [Nov 19, 24, 26]
 - a. Case Studies of Commodity Markets (Vietnam) Lec 20-21
 - b. Agriculture in the WTO Lec 22
- **Problem Set #3: hand out Nov 17, hand in Nov 24; hand back Dec 01

Rapsomanikis, G., D. Hallam, and P. Conforti. 2006. "Market Integration and Price Transmission in Selected Food and Cash Crop Markets of Developing Countries: Review and Applications." (Ch.8) In A. Sarris and D. Hallam, ed., *Agricultural Commodity Markets and Trade: New Approaches to Analysing Market Structure and Instability*. London: Edward Elgar for the Food and Agriculture Organization.

C.P. Timmer, W. Falcon, and S. Pearson, *Food Policy Analysis*, Johns Hopkins Press for World Bank, 1983. Ch.4. [http://iis-db.stanford.edu/pubs/10361/food_policy_analysis.pdf]

Alex McCalla and T. Josling, *Agricultural Policies and World Markets*, Prentice Hall, 1985, Ch. 2.

Michael Reed, *International Trade in Agricultural Products*, Prentice Hall, 2001.

Sarris and Hallam (see above), Ch. 2 (Gilbert); Ch 8 (Rapsomanikis et al), Ch 6 (McCorrison)

Daniel Sumner, *AJAE*, 2009

McCalla overheads, U of Manitoba presentation, in Course Website

Market Power: Sexton papers (2), Baulch, Reardon