AEC 841 - ANALYSIS OF FOOD SYSTEM ORGANIZATION AND PERFORMANCE
Course Web Site:  http://www.msu.edu/course/aec/841/
Summer Semester, 2007

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Office Hours: Staatz - Tuesday, Thursday, 1:30-2:30 and by appt.

COURSE OBJECTIVES

1. To help students develop a conceptual framework and analytical approaches to understand the relationships between market structure, organizational rules, and food system performance in low-, middle- and high-income countries.

2. To increase students' familiarity with agricultural marketing institutions, market processes, and issues of organization, control and public policy.

3. To help students get to know agricultural marketing as a subject matter area in agricultural economics.

FORMAT

The course is organized as a lecture/discussion. The sessions on Mondays and Wednesdays cover material on conceptual and analytical approaches, while Fridays are devoted to discussion groups and case studies. These will focus on applications and examples of the concepts discussed in class. Applications will be drawn from both industrialized and developing countries.

PREREQUISITES

Students should have taken courses covering basic economic theories of pricing and competition (EC 301 or equivalent). Students without this background should consult the instructor.
READING LIST-- LECTURES

The reading list includes both assigned and optional material. Students should read assigned items prior to the class sessions where they are to be discussed.

READING LIST – DISCUSSION SESSIONS

For special discussion sessions (typically on Wednesdays) we may have additional readings that will either be posted on the course Angel site or made available in hard copies.

Required Texts:


Caves, Richard. *American Industry: Structure, Conduct, Performance*. NOTE: Editions 6 or 5 are fine and are much cheaper (available on-line) than the current 7th Edition.

A course packet of readings, available from Budget Printing Center.

Recommended Texts (available for free):

Schertz, Lyle P. and Lynn M. Daft. *Food and Agricultural Markets: The Quiet Revolution*. Washington; USDA, ERS, and the National Planning Association, 1994–Copies of this book, which is out of print, will be distributed to students on a CD, which will also contain some other course readings.


Useful Web Sites–See the set of links listed on the course website ([http://www.msu.edu/course/aec/841/](http://www.msu.edu/course/aec/841/)).

WRITTEN ASSIGNMENTS

Written assignments include:

* Weekly 1-page summaries and analyses of meetings and materials covered in class.

* A 10-15 page (double-spaced) research paper that requires you to apply concepts from the course to analyzing some aspect of food system performance (see below).

* A peer review of one of your colleagues’ draft research paper.
In addition, there will be a midterm and a final exam.

**RESEARCH PAPER**

In order to apply some of the concepts explored in this class, written assignments include a 10 to 15-page (double-spaced) paper. It can be: (a) a critical appraisal of a dissertation or other major study of some aspect of food system performance, (b) a research proposal that outlines a plan for an empirical study of an important issue in a particular subsector or industry in the food system, or (c) an analysis, using concepts from the course, of a particular issue of food system performance in an industry or subsector with which you are familiar. The main objective of the paper is to give you an opportunity to apply concepts from the class to analyze a particular problem of your choosing.

Ideally, students will select a subsector or industry relevant to their possible Plan B, thesis, or dissertation topic. The weekly 1-page summaries can provide a foundation for this paper. By highlighting key issues relevant to your chosen subsector or industry, the weekly summaries can provide the ideas and preliminary analysis for this paper. We encourage you to choose the topic for your longer paper early, as this will let you use the one-pagers as raw material for the longer paper. You need to select a paper topic by March 18, but should do so earlier if possible. The instructors will be happy to discuss potential topics with you and provide lists of dissertations and other studies for those wanting to a critical appraisal.

A first draft will be due on April 5. You will exchange drafts with one of your colleagues, who will prepare a 2-3 page peer review of it. You will then revise the paper based on the comments received. The final version of the paper will be due April 21. A statement summarizing your topic (less than one page) is due on March 17.

**GRADE TO BE DETERMINED AS FOLLOWS**

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<thead>
<tr>
<th>Assignment</th>
<th>Percent</th>
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<tr>
<td>Weekly 1-page summaries and analyses</td>
<td>20</td>
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<tr>
<td>Midterm exam</td>
<td>20</td>
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<tr>
<td>Research paper</td>
<td>25</td>
</tr>
<tr>
<td>Peer Review of Colleague’s Paper</td>
<td>10</td>
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<tr>
<td>Discussion/Group participation</td>
<td>10</td>
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<tr>
<td>Final quiz</td>
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<td><strong>TOTAL</strong></td>
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**Late Papers:** The grade on late papers, both the weekly summaries and the research design, will be reduced by .5 of a grade point (on a 4.0 scale).
Plagiarism

University policy and basic academic standards require that you give appropriate credit to the sources you use for your papers and avoid copying material from another author without clearly indicating that it is a quote (including indicating the source). Failure to indicate such sources constitutes plagiarism, defined as “the appropriation of another person’s ideas, processes, results or words without giving appropriate credit” (http://www.msu.edu/unit/ombud/plagiarism.html). Failure to provide appropriate attribution to your sources is a violation of the University’s policy on Research Integrity, as outlined in the Department’s Graduate Program and Policy Handbook (http://www.aec.msu.edu/agecon/grad/gradpol.htm#research_integrity). It will result in a failing grade on the assignment. If you have any questions about plagiarism, please review the two websites mentioned above and discuss the issue with the instructors.

KEY DATES:

Wednesday, June 20  Midterm exam
Wednesday, June 27  Final date for submitting statement on research paper
Wednesday, July 4  Independence Day, no class
Monday, July 16  Exchange draft paper with reviewer
Monday, July 25  Peer review due
July 29-August 1  AAEA meetings (no class this week)
Wednesday, August 8  Research paper due
Wednesday, August 15  Final exam
I. Introduction
   A. Scope of the Course
   B. Recent Evolution of World Food System
      1. Evolving Nature of Demand: From Commodities to Attributes
      2. Changing Technology (information, biotechnology, processing)
   C. How does the system get coordinated? The Nature of Markets and Marketing;
      Markets and Other Coordinating Processes
   D. Marketing as a Field of Study

II. Food System Organization and Economic Development

III. Elements of a Conceptual Framework for Analyzing Food System Organization and
     Performance
   A. The Food Systems Framework
   B. The I-O Framework of Analysis
      1. Structure
      2. Conduct
      3. Performance
   C. Empirical/Methodological Approaches
   D. The Subsector Approach, with Emphasis on Vertical Coordination
   E. Analyzing Firm and Industry Structure via the Transaction-Cost Approach

IV. Applications of the Framework
   A. Evolving Consumer Demand: Biotech, Globalization, and Greening of the Food
      System
   B. Subsector and Industry Case Studies
   C. Market Regulation and Facilitation
      1. Market Regulation: Conceptual Issues and Historical Experience
      2. Control and Use of Information
      3. Collective Action in the Food System (Cooperatives, Professional
         Associations, Marketing Boards and Orders, etc.)
      4. Food Safety
   D. Non-Market Food Distribution/Safety Nets

V. Course Wrap Up
1. Available to download from electronic source as noted. If no source is noted, then article is available via the MSU Library Electronic Resources (http://er.lib.msu.edu/)
2. Set of Assigned readings can be purchased from Budget Printing Center, 974 Trowbridge Rd. (by the ShopRite, 351-5060)
3. Available from Patricia Neumann, 219 Agriculture Hall
4. Required Text
5. Optional Text
6. Main Library, Regular Collection
7. Class Handout
8. Available from Instructors
9. Cook Hall Reading Sets
10. On Course CD (handed out at beginning of course)

### I. INTRODUCTION

**Markets and Other Coordinating Processes**

**Recent Evolution of the World Food System–The Evolving Nature of Demand:**
- From Commodities to Attributes: and Changing Technologies

**Marketing as a Field of Study**

McMillan, Chapters 1-2


Jean D. Kinsey, “The Big Shift from a Food Supply to a Food Demand Chain.” Minnesota Agricultural Economist no. 698 (Fall, 1999).

Available via JSTOR (http://www.jstor.org)

Optional Readings

Schertz and Daft, Introduction and Chapters 1-3. (5, 10)


II. FOOD SYSTEM ORGANIZATION AND ECONOMIC DEVELOPMENT

McMillan, Chapters 16, 3 (4)


Chapter 1, pp. 1-11
Chapter 5, pp. 83-110, and especially, Figure 5.1
Chapter 6, pp. 111-130 (10)

Optional Readings


III. CONCEPTUAL FRAMEWORK

A. The Food Systems Framework


Section 3.1, "Sector Analysis", pp. 7-12.
Section 3.2.2, "Description and Analysis: The Food System Matrix", pp. 16-21.


B. The I-O Framework

1. Structure

http://www3.interscience.wiley.com/cgi-bin/fulltext/76509438/PDFSTART

McMillan, Chapter 8
2. Conduct


See Chapters 2, 4, and 5 for an overview of the S-C-P paradigm. (4,6)

McMillan, ch. 14, 9. (4)

Domina, David A. “Proving Anti-Competitive Conduct in the U.S. Courtroom: The Plaintiff’s Argument in *Pickett v Tyson Fresh Meats, Inc.*” *Journal of Agricultural and Food Industrial Organization* 2 (2004), Article 8. (1)

Optional Reading


3. Performance


Optional Readings


Empirical/Methodological Approaches


(Read for overview. No need to focus on proofs, etc.)


Optional Reading:


D. Subsector Approach/Vertical Coordination


B.C. French. "The Subsector as a Conceptual Framework for Guiding and Conducting


McMillan, Chapters 6-7.

Optional Readings


E. Transaction Cost Approach and Contracting

McMillan, Chapter 5


Alan Barkema, Mark Drabenstott and Mike Cook. "The Industrialization of
the U.S. Food System." Chapter 1 in Food and Agricultural Marketing Issues for the 21st Century.


Optional Reading


Cost/Institutional Analysis to Agricultural Economics." Seminar Presented to the Scientific Society for Finnish Agriculture and the Faculty of Agriculture and Forestry, University of Helsinki, 1988 (mimeo).


**MIDTERM EXAM--FRIDAY, MARCH 4**

**SPRING BREAK--MARCH 7 - MARCH 11**

**IV. APPLICATIONS OF THE FRAMEWORK**

**A. Evolving Consumer Demand: Biotech, Globalization, and Greening of the Food System**

Schertz and Daft, Chapter 12.

*Choices*, Selected articles from Spring 2002 issue on biotechnology, pg. 6-21, 31-33, 39-42

**Optional Readings**


Schertz and Daft, Chapter 11

AEC 841 Reading List

B. Industry and Subsector Case Studies

In-class video of Thai silk subsector


Optional Readings


Schertz and Daft, Chapters 6, 9.


**C. Market Regulation and Facilitation**

1. **Market Regulation: Conceptual Issues & Historical Experience**

McMillan, Chapters 10, 11, 12, 17.  (4)


**Optional Readings**


Schertz and Daft, Ch. 4, 17.  (5, 10)


Proceedings from the Economic Research Conference on US Food System Regulation, held April 16-18, 1979, Arlie House, VA. Vol. 61, No. 4, Part 2, AJAE, November 1979. See especially:


2. **Control and Use of Information**

Schertz and Daft, ch. 20.


Kenneth C. Clayton and Barbara A. Caffey. "No News is Bad News...For Markets." Choices, Fourth Quarter, 1993, pp. 18-20.

November, 6, 2002

Optional Readings


Frances Antonovitz and Terry Roe. "Economic Efficiency and Market Information." Chapter 9 in Richard L. Kilmer and Walter J. Armbruster, (eds). Economic Efficiency...
3. Collective Action in the Food System: Cooperatives, Marketing Boards, and Professional Associations


Optional Readings


4. Food Safety


David Byrne. (European Commissioner for Health and Consumer Protection). “The Regulation of Food Safety and the Use of Traceability/Tracing in the EU and USA: Convergence or...


Optional Readings


Schertz and Daft, Ch. 18.


D. Non-Market Food Distribution/Safety Nets

Optional Reading


E. Course Wrap-up

Required Reading

McMillan, Chapter 17. (4)

FINAL EXAM: Wednesday, August 15, 10:00 - 11:40