What do these 4 phenomena have in common?

- Mad cow disease
- Soaring health-care costs in the U.S.
- The fall of communism
- Fears of a world-wide influenza epidemic that could kill millions

Answer: They all have important roots in the organization and performance of the food system

Outline for Today

- Course objectives
- Core themes in the course
- Concept of the market
  - Advantages of markets
  - What markets don’t take into account
  - Assumptions necessary for market efficiency
  - Implications
- Approaches to the study of marketing
- Evolution of marketing concepts in the U.S.
Analysis of Food System Organization and Performance

- The course title implies:
  - An analytic approach
  - A systems approach
  - Emphasis on organization (structure)
  - Emphasis on measuring and evaluating performance.

Course Overview

- Broad concepts of Economic Organization in the Agri-Food System
- “Standard” Economic Theory: Economy is organized around “spot” markets
- “Modern” microeconomics: Information issues and their impact on market organization
**Economic Organization**

- Who decides what is useful and how does that message get communicated?
- What are the incentives to respond to those signals?
- How can we define “good performance” of a food system and then design actions to improve that performance?

**Building Blocks**  
*Concepts from Economic Theory*

- Production
  - Creation of time, form and space utility
  - Farmers aren’t the only producers in the system!
- Pricing efficiency
- Imperfect competition
- Transaction costs
- Asymmetric information
Key Themes

- Systems
- Dynamics of Food System Evolution
- Analytic Framework
  - Description
  - Diagnosis
  - Prescription
- Policy Implications

A Systems Framework

✓ What is the “Agri-Food System”? 
✓ Key concepts from systems analysis
  ✓ Choices at one level affect other levels 
  ✓ Optimal choice at one level does NOT imply optimal choice for system 
  ➔ Need for COORDINATION across levels
### Types of Market Structures

<table>
<thead>
<tr>
<th>Firms/Type of Product</th>
<th>Homogeneous</th>
<th>Differentiated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Many</td>
<td>Perfect Competition</td>
<td>Monopolistic Competition</td>
</tr>
<tr>
<td>Few</td>
<td>Pure Oligopoly</td>
<td>Differentiated Oligopoly</td>
</tr>
<tr>
<td>One</td>
<td>N.A.</td>
<td>Monopoly</td>
</tr>
</tbody>
</table>