

AREC 710
Advanced Agricultural Economics

Instructors: Marco Costanigro, Stephen Koontz, Alessandro Bonanno and Dawn Thilmany

Office Hours: By appointment with individual instructors

Meeting time: W 2-4 pm

Location: Clark C 217

Readings: The Oxford Handbook of the Economics of Food Consumption and Policy
 Additional Handouts and Materials posted online

Grading:

Oral exam	60% (Tentative date: December 12)
Homeworks and presentations	20%
Paper Presentation/Critique	20%

Course Outline

I. Empirical Demand Issues (Thilmany)-August 24-September 14th

Alston, J. *Consumer Demand Analysis: Class Notes*. Department of Agricultural Economics, University of California-Davis, Davis, CA.

USDA-ERS Consumer Demand Resources

<http://www.ers.usda.gov/topics/food-choices-health/food-consumption-demand/>

Literature and student presentation choices

- A. Dhar, T., J.P. Chavas, and B.W. Gould. "An Empirical Assessment of Endogeneity Issues in Demand Analysis for Differentiated Products." *American Journal of Agricultural Economics* 85(2003): 605-617
- B. Tonsor, G.T., J. R. Mintert, and T. C. Schroeder (2010). U.S. Meat Demand: Household Dynamics and Media Information Impacts. *Journal of Agricultural and Resource Economics* 35(1):1-17
- C. Volpe, R., Okrent, A., & Leibtag, E. (2013). The Effect of Supercenter-format Stores on the Healthfulness of Consumers' Grocery Purchases. *American Journal of Agricultural Economics*, 95(3).
- D. Cornelsen, L., M. Mazzocchi, R. Green, A.D. Dangour and R.D. Smith. (2016). Estimating the Relationship between Food Prices and Food Consumption—Methods Matter. *Applied Economic Perspectives and Policy*: doi:10.1093/aep/ppw010

II. Topics in Market Power –SPECIAL DAYS PROPOSED: Sept 21st and 28th 9 am

- A. Cowling & Waterson. "Price-Cost Margins and Market Structure." *Economica* 43(1976): 267-274.
- B. Appelbaum. "The Estimation of the Degree of Oligopoly Power." *Journal of Econometrics* 19(1982): 287-299.

- C. Schroeter. "Estimating the Degree of Market Power in the Beef Packing Industry." *Review of Economics and Statistics* 70(1988): 158-162.
- D. Koontz Garcia & Hudson. "Meatpacker Conduct in Fed Cattle Pricing: An Investigation of Oligopsony Power." *American Journal of Agricultural Economics* 75(1993): 537-548.
- E. Cia Stiegert & Koontz. "Regime Switching and Oligopsony Power: The Case of US Beef Processing." *Journal of Agricultural Economics* 42(2011): 99-109.
- F. Azzam. "Measuring Market Power and Cost-Efficiency Effects of Industrial Concentration." *The Journal of Industrial Economics* 45(1997): 337-386.
- G. Tostao, Chung, & Brorsen. "Integrating Auction Theory With Traditional Measures of Market Power." *Agribusiness: An International Journal* 27(2011): 162-178.

III. Product differentiation and the economics of information-Oct 5-26

- A. Monopolistic competition: Chamberlin (1933)
- B. From commodities to differentiated products. Hedonic Pricing
Chapter 3 (Costanigro and McCluskey) in:
 Lusk, Jayson L., Jutta Roosen, and Jason Shogren. 2011. *The Oxford Handbook of the Economics of Food Consumption and Policy*. Oxford University Press, USA.
- C. Vertical differentiation:
Chapter 9 (Giannakas) in:
 Lusk, Jayson L., Jutta Roosen, and Jason Shogren. 2011. *The Oxford Handbook of the Economics of Food Consumption and Policy*. Oxford University Press, USA.
- D. The Economics of Information:
 - i. Stigler, George J. 1961. "The Economics of Information." *The Journal of Political Economy* 69 (3): 213–25.
 - ii. Akerlof, George A. 1970. "The Market for 'Lemons': Quality Uncertainty and the Market Mechanism." *The Quarterly Journal of Economics* 84 (3): 488–500.
 - iii. Nelson, Phillip. 1970. "Information and Consumer Behavior." *The Journal of Political Economy* 78 (2): 311–29.
 - iv. Shapiro, Carl. 1982. "Consumer Information, Product Quality, and Seller Reputation." *The Bell Journal of Economics* 13 (1): 20–35.
 - v. ———. 1983. "Premiums for High Quality Products as Returns to Reputations." *The Quarterly Journal of Economics* 98 (4): 659–80.
 - vi. Tirole, Jean. 1996. "A Theory of Collective Reputations (with Applications to the Persistence of Corruption and to Firm Quality)." *The Review of Economic Studies* 63 (1): 1–22.
 - vii. Costanigro, Marco, Jill J. McCluskey, and Christopher Goemans. 2010. "The Economics of Nested Names: Name Specificity, Reputations, and Price Premia." *American Journal of Agricultural Economics* 92 (5): 1339–1350. doi:10.1093/ajae/aaq065.

E. Horizontal differentiation:

Chapter 10 (Merel and Sexton) in

Lusk, Jayson L., Jutta Roosen, and Jason Shogren. 2011. *The Oxford Handbook of the Economics of Food Consumption and Policy*. Oxford University Press, USA.

IV. Quality, Reputations and the Economics of information-October 26-November 2

A. Current Literature

V. Marketing Margins and Transaction Costs-November 7-14

Market Integration Handout, D. Thilmany. Updated 2016.

- Literature and student presentation choices
 - A. Baulch, B. "Transfer Costs, Spatial Arbitrage, and Testing for Food Market Integration." *American Journal of Agricultural Economics*, 79(1997): 477-87.
 - B. Barrett, C.B. and J.R. Li. "Distinguishing between Equilibrium and Integration in Spatial Price Analysis." *American Journal of Agricultural Economics*. 84(2002): 292-307.
 - C. Hu, W., D. Thilmany and D. Pendell. "Exploring Seasonal Dynamics and the Role of Energy Costs in Regional Apple Markets." *Agricultural and Resources Economic Review*. 43(3):357-72.
 - D. Bekkerman A, B.K. Goodwin, and N.E. Piggott. 2013. "A variable threshold band approach to measuring market linkages." *Applied Economics*. 45.
 - E. Padilla-Bernal, L., D.D. Thilmany, and M.L. Loureiro, "An Empirical Analysis for Market Integration and Efficiency of U.S. Fresh Tomato Markets," *Journal of Agricultural and Resource Economics*. 28(2003): 435-450.

VI. Evaluating Welfare Effects in Commodity and Differentiated Markets-November 16-30

- A. Nevo, A. 1998. Identification of the oligopoly solution concept in a differentiated-products industry. *Economics Letters* 59: 391–395.
- B. Berry, S. 1994. "Estimating Discrete-Choice Models of Product Differentiation," *Rand Journal of Economics*, 25, 242-262
- C. Bonanno, A., R. Huang, and Y. Liu. 2015. "Simulating Welfare Effects of Europe's Nutrition and Health Claims regulation: the Italian Yogurt Market." *European Review of Agricultural Economics*. 42:499-533.

Other Material – applications

- A. Just and Rosen (editors) Handbook of food consumption and policy Ch. 5 Adamowicz and Swait "Discrete Choice Theory and Modeling"
- B. Nevo A. 2011. "Empirical Models of Consumer Behavior" *Annual Review of Economics*, 3:51–75

- C. Di Giacomo M. 2008. "GMM Estimation of a Structural Demand Model for Yogurt and the Effects of the Introduction of New Brands" *Empirical Economics*, 34(3), p. 537-565.
- D. Richards, T. 2007 "A nested logit model of strategic promotion" *Quantitative Marketing Economics* 5:63-91

Commodity Markets

- A. Davis & Espinoza. "A Unified Approach to Sensitivity Analysis in Equilibrium Displacement Models." *American Journal of Agricultural Economics* 80(1998): 868-879. Read for detail.
- B. Gardner. "The Farm-Retail Price Spread in a Competitive Food Industry." *American Journal of Agricultural Economics* 57(1975): 399-409. Read for detail.
- C. Two older applications: look at the model, the graph, and the results. And what's the issue under examination?
- D. Mullen Wohlgenant & Farris. "Input Substitution and the Distribution of Surplus Gains from Lower U.S. Beef-Processing Costs." *American Journal of Agricultural Economics* 70(1988): 245-254.
- E. Lemieux & Wohlgenant. "'Ex Ante' Evaluation of the Economic Impact of Agricultural Biotechnology: The Case of Porcine Somatotropin." *American Journal of Agricultural Economics* 71(1989): 903-914.

Two newer applications: look at the model and the results. And what's the issue under examination?

- F. Pendell, Brester, Schroeder, Dhuyvetter, & Tonsor. "Animal Identification and Tracing in the United States." *American Journal of Agricultural Economics* 92(2010): 927-940.
- G. Weaber & Lusk. "The Economic Value of Improvements in Beef Tenderness by Genetic Market Selection." *American Journal of Agricultural Economics* 92(2010): 1456-1471.

An EDM integrated with market power.

- H. Livestock and Meat Marketing Study, Volume 3, Section 6, pp 1-61. Model, graphs, and tables. And what's the issue under examination?