

North Dakota State University  
Department of Agribusiness and Applied Economics

**AGEC 445**; 3 credits  
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Office Hours: By appointment

Spring 2011  
MWF 11:30am –12:20pm  
266 Barry Hall

## **AGRIBUSINESS INDUSTRIAL STRATEGY**

### **Course Description**

In this course you will be expected to use concepts learned in earlier classes to analyze economic issues commonly faced in agribusiness. Particular emphasis will be placed on strategic applications of these concepts. In order to facilitate your entry into an agribusiness environment, cases and problems will be heavily used in class as well as group discussion.

### **Course Objectives**

#### *Teaching Objectives*

I will provide an opportunity for you to learn about the following

1. The changing nature of agribusiness
2. How the structure of market participants affect business strategy
3. A model for assessing the level, growth, and sustainability of profits
4. Specific strategies for enhancing the prospect of earning and sustaining profits, in light of current economic issues affecting agribusinesses
5. How to contribute as an executive in an agribusiness environment by working in teams.

#### *Learning Objectives*

You should expect to learn about

1. What is market structure and how is it characterized
2. How does market structure affect optimal management strategy
3. What kinds of models can be used to evaluate strategy
4. How do upstream and downstream firms interact strategically and why this is relevant to agribusiness
5. The importance of product differentiation in agriculture
6. How companies select pricing strategies under imperfect competition
7. How strategies can be developed to prevent or encourage business entry
8. How to work in teams in order to take possession of problems, communicate your understanding of economic issues in oral and written form, and orchestrate strategies for enhancing the level, growth, and sustainability of profits using economic concepts.

A more detailed set of learning objectives is provided on the class Blackboard site. This will be a handy reference as you prepare for quizzes and exams.

## **Communication**

The course meets thrice each week, from 11:30 a.m. to 12:20 p.m. in 266 Morrill Hall. Classes will consist primarily of discussion, but ample lecture will take place as well. There will be regular lectures, and then student presentations of study problems throughout the course.

I will post information relevant to the class on Blackboard regularly. The Blackboard login is located at: <https://bb.ndsu.nodak.edu/webapps/portal/frameset.jsp>

## **Grading**

### *Exams*

There will be two midterms and a final exam. The midterm exams are scheduled for February 16 and March 25. A final exam will be given during finals week (May 7 – May 13). Please arrange your schedule now, at the beginning of the semester, so that you may attend the exams. All other exams will be given in the classroom at the regularly scheduled time. Only legitimate events outside of your direct control, such as a university-sponsored event, a documented illness, death of a relative, or the delivery of a child, etc. will be considered for exceptions, when accompanied by written verification.

Otherwise, if you miss a midterm the final will serve as the makeup exam, with each missed midterm exam adding 10% to the weight of the final in your course grade. If you know now that you will not be able to attend the final exam, please drop this class now.

***All required reading and topics covered in class are fair game for exam questions.***  
***The Final exam is COMPREHENSIVE—ALL course material is covered.***

I will prepare a short document prior to each midterm listing the concepts I feel will be most important in preparing for the exam and distribute it to the class via Blackboard.

The format of all exams will be a mixture of written vocabulary definitions, one or more mathematical or work-out type problems, and an application of one or more of our cases.

### *Quizzes*

In addition to the exams, I will give **nine announced** quizzes during the semester. The quizzes will be administered in the classroom and will be a mixture of multiple choice questions and short written answers. Each will last ten minutes. With the exception of those affected by university-related activities, or other excused absences, there will be no make-up quizzes; students are required to take quizzes during the scheduled class periods.

### *Homework*

There will be seven homework assignments consisting of cases in which the principles we discuss in class were applied in an agribusiness setting. There will be a set of questions accompanying each case. The questions are intended to force you think about how the economic

concepts discussed in class can be applied. The total length of your responses should be limited to five double-spaced pages.

Even though we will only have seven of these assignments, don't underestimate the time it will take to complete them. Please be aware these will require some time to read and complete, so plan ahead. Ideally, you should get started on them before we even reach the related topic. I'll remind you about a week before they're due to get going on them. Note that these assignments form the largest component of your final grade, so please take the time to carefully complete the assignment.

You will work on these cases in groups of five. I will select who will be the members of each group. Only one copy of the assignment needs to be turned in by the group, but all group members will receive the same grade. We will discuss the cases in class after the assignment is due.

### Vocabulary

One additional page of the homework assignment should be dedicated to a listing of key economic terms (i.e. "vocabulary words you would find in the Baye text) you encountered in the case study text. These will be entirely of your own choosing, but you'll be graded on the relevance of your work on the midterm. Define each of the terms you selected. You should generate a list of around five economic terms. If I notice that your terms seem irrelevant, I'll try to provide appropriate feedback.

### Due at the beginning of class

The homework assignments are due at the beginning of class in which you are required to turn it in. You will receive only half-credit for any late homework assignment (which means, turned in **after the beginning of the class** in which you are required to turn it in). The assignments will be found under the "Assignments" section of our Blackboard website. **Homework should be turned in to me via Blackboard.**

### How do I grade?

Writing about cases can be tough. In this class, you will not be expected to write like MBA students. Instead, my objective is to get you to recognize the economic/strategic principle hiding in the story, convince me that you've noticed it, can describe how it affects the problem, decision, or evaluation within the case, and then tell me what should be done.

As you answer the questions associated with each assignment, I'll grade like this:

1. [5 points] Did you efficiently answer the questions I posed? I don't want you to prove that you read the case by telling me everything you know about it. Prove it by concisely stating your answer.
2. [15 points] Did you answer the what, why, or how of the question? Tell me about why the concept affected the problem, decision, or evaluation. Tell me the action that was a result or cause. Tell me how the decision was or should be implemented if appropriate. Tell me how the problem can be fixed.
3. [15 points] Did you commit to one position? Pick an economic concept or strategic plan

and stick to it. Then explain yourself. In so doing, be as precise as you can as to why your decision is relevant. Use economic evidence from the case – either qualitative or statistical. If the case involves a problem, prove the cause and effect relationships that account for the problem and then fix the weaknesses or increase the strengths. If the case involves a decision, recommend the best decision and show the best pathway to achieve your desired outcome. If the case involves an evaluation, provide detailed evaluation of the act or outcome and then tell how you would improve it or change the decision.

4. [10 points] Grammar.... Did you use proper grammar and punctuation? Are your paragraphs organized, using topic and detail sentences? Are your paragraphs in a logical order?
5. [5 points] Vocabulary. Did you select and define three to five economic concepts from the article?

#### Just in case you didn't know...

In general, the homework is designed to give you a chance to demonstrate your understanding of the major concepts discussed in class. I expect you to present your ideas in complete sentences. When writing, describe your ideas sufficiently so that if I were an uninformed observer of the topics discussed in class I would understand what you mean. Your work is most likely to earn full credit when you describe your understanding of the concept in your own words, completely answer each part of the question, and proofread your remarks for clarity, spelling, grammar, and punctuation. Furthermore, answering the question in your own words typically improves your preparation for quizzes and exams.

#### *Class Participation*

I will evaluate achieve learning objective 8, working in teams, in two ways. First, periodically I will request that class members compose answers to analytical questions, as groups, during class. These will be either completed during class, and then turned, or e-mailed after class. Each member of the group is responsible to contribute and all members of the group will receive the same grade for the assigned problem.

Second, I will ask members of the case study groups to evaluate your contribution to group effort the case by responding to the following:

1. How many hours do you think your peer devoted to the team project?
2. On a scale of one to ten, how creative was the contribution of your peer?
3. On a scale of one to ten, is it easy to work with your peer? Are they a team player?

#### *Term Report*

The term report is an analysis of a corporation or industry selected by the student and instructor. This report provides an opportunity for the student to learn to identify a strategic problem in an agribusiness and then conceptualize the issues associated with a selected organization or industry. Further information about the paper will be provided later in the semester. These will be due May 7.

### *Final Grades*

Grades will be calculated using the following weights:

Class Participation	15%
Term Report	5%
Case Study Assignments	30%
Quizzes	15%
Midterm 1	15%
Midterm 2	10%
Final	10%

I anticipate grades will be awarded using a standard scale: > 90 is an A, 80-89 is a B, 70-79 is a C, 60-69 is a D, and lower marks receive a failing grade.

### *Text*

The principal text will be *Managerial Economics and Business Strategy*, 6<sup>th</sup> edition, by Michael R. Baye. This will be required for the class. I think it's a good resource for basic theories, techniques, and applications for the concepts we'll cover in class.

Case study reading will come from articles found in academic journals or other sources. These cases are a good representation of current issues in agribusiness. You should read these at least twice to get a good understanding of their content. Do not off reading these cases!

I will also use a chapter from *Marketing of Agricultural Products*, 9<sup>th</sup> edition, by Kohls and Uhl, to guide our discussion about procurement strategies. These will be posted on the Blackboard site.

### *Special Needs*

Any students with disabilities or that need special accommodations in this course are invited to share these concerns or requests with the instructor as soon as possible.

### *Academic Integrity*

All work in this course must be completed in a manner consistent with NDSU University Senate Policy, Section 335: Code of Academic Responsibility and Conduct. You can find the content of this policy at <http://www.ndsu.nodak.edu/policy/335.htm>. You must also comply with the honor system of the College of Food Systems and Natural Resources, found at <http://www.ag.ndsu.edu/academics/honor.htm>

**Tentative Class Schedule, Assignments, and Readings  
Spring 2011**

1	1/12		Trends in agribusiness
2	1/14	Baye 1	Quiz 1; Five forces framework
	<b>1/17</b>		<b>Martin Luther King Holiday</b>
3	1/19		Quiz 2
4	1/21	Baye 10	Quiz 3; Game theory: Introduction
5	1/24	Baye 10	Quiz 4; Game theory: simultaneous games
6	1/26		Quiz 5
7	1/28		
8	1/31		
9	2/2	Baye 10	Quiz 6; Game theory: sequential games
10	2/4	Baye 10	Quiz 7; Game theory: repeated games
11	2/7	Baye 9	
			Quiz 8; Game theory: Cournot equilibrium Stackelberg equilibrium
12	2/9		<b>Case Team Assignments</b>
13	2/11	Baye 9	Quiz 9: Game theory: Bertrand equilibrium
	<b>2/14</b>		<b>Midterm 1</b>
14	2/16		
			<i>Case: Cooperative games in cooperatives with diverse member interests</i>
15	2/18		
16	<b>2/21</b>		<b>President's Day Holiday</b>
			Horizontal integration: market structure and mergers
17	2/23	Baye 7	
18	2/25		
			<i>Case: Cargill's Acquisition of Continental Grain's Grain Merchandising Business</i>
19	2/28		
20	3/2		
21	3/4	Baye 7	Vertical integration
22	3/7		
			<i>Case: Vertical integration in the Malting Barley Industry: A "Silver Bullet" for Coors?</i>
23	3/9		
24	3/11		
	<b>3/14-3/18</b>		<b>Spring Break</b>
25	3/21	Baye 12	Contracts
			<i>Case: Negotiating Agricultural Contracts: A Waxy Corn Example</i>
26	3/23		
27	3/25		<b>Midterm 2</b>
28	3/28	Kohls and Uhl	Procurement

29	3/30		Case: Fresh Produce Procurement Strategies in a Constrained Supply Environment: Case Study of <i>Companhia Brasileira de Distribuição</i>
30	4/1	Baye 12	Pricing with incomplete information: moral hazard and adverse selection
31	4/4	Baye 12	Pricing with incomplete information: signaling and screening; auctions
32	4/6		
	4/8		
	4/11	Baye 8	Product differentiation and monopolistic competition
33	4/13		Case: <i>State-Grown Promotion Programs: Fresher, Better?</i>
34	4/15		
35	4/18	Baye 13	Barriers to entry/entry strategy
36	4/20		Case: <i>Ranchers Choice Cooperative</i>
37	<b>4/22</b>		<b>Recess</b>
38	<b>4/25</b>		<b>Recess</b>
39	4/27		
40	4/29	Baye 12	Risk
41	5/2		Case: <i>Bunge: Food, Fuel, and World Markets</i>
42	5/4		
43	5/6		Review/Term reports due
44	5/7-5/13		<b>Finals Week Examination—Comprehensive</b>

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**Important Note:** I reserve the right to make changes to this syllabus as necessary. I will be sure to inform all students of any of these changes.

### AGEC 445 Case Study Assignments

Case Study	Topic	Due Date (approximate)
Decision-making in Cooperatives with Diverse Member Interests	Strategic analysis/game theory	Feb. 21
Cargill, Continental Merger	Mergers	Feb. 28
Vertical Integration in the Malting Barley Industry: A “Silver Bullet” for Coors?	Vertical integration	Mar. 9
Waxy corn	Contracts	Mar. 23
<i>Companhia Brasileira de Distribuição</i>	Procurement	Mar. 30
State-Grown Promotion Programs: Fresher, Better?	Product differentiation	Apr. 18
Ranchers’ Choice Cooperative	Entry	Apr. 25
Bunge	Risk	May 2