

AGRICULTURAL MARKETING IN A MULTINATIONAL ENVIRONMENT

Department of Agricultural Economics
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Office Hours: By appointment. The best way to set up a time to meet is via e-mail.
Class information: Classes meet on Tuesdays and Thursdays, 11:00-12:15 at 210 Filley Hall.

Welcome to the class!

I look forward to getting to know you and working with you this semester.

COURSE SYLLABUS**COURSE JUSTIFICATION**

Changes in consumer preferences, technological progress, reduced government intervention, introduction of quality standards and intellectual property rights (IPRs) are among the main forces that have led to the industrialization and globalization of agriculture. The industrialization and globalization of agriculture have changed the economic environment in which agribusiness firms operate. Food has become more engineered with specialty products (e.g., consumer oriented genetically modified products, organics) replacing (undifferentiated) commodities. Production has become increasingly specialized and the segments of the food supply chain have become highly interdependent. Information and rapid communication have become critically important while the need to satisfy specialized consumer demands requires consistency in the supply of high quality inputs making identity preservation an important issue. The drastic changes that the agrifood sector is experiencing have resulted in more efficient forms of vertical coordination between the various stages of the food supply chain (e.g., strategic alliances, contracting and vertical integration have to a large extent replaced market-price systems (spot markets)).

In this changing environment, agribusiness firms have to develop conduct strategies (e.g., new product development through investment in R&D, development of patenting portfolios, price discrimination) that will enable them to effectively market their products and compete in international markets. To be able to choose effective strategies, firms need to have an understanding of the economic conditions in the markets in which they operate. Economic theory provides us with the tools that allow us to formally examine the driving forces behind the changing economic environment, describe the new markets and analyze/compare the various strategies that can be undertaken by agribusiness firms to enhance their competitiveness and economic performance.

COURSE DESCRIPTION

The course consists of three modules.

MODULE I:

The first module focuses on the study of the factors that have led to the industrialization and globalization of agriculture and describes the international food market. In specific, we will examine aspects of technological change, consumer behavior issues, the institution of intellectual property rights (IPRs) and their effect on the firm's production function, incentive to innovate and on the structure of the agri-food sector, the institution of quality standards and the role of asymmetric information in determining the food qualities and varieties that will be supplied in the international market, the effect of consumer perception of product quality and variety (i.e., horizontal and vertical product differentiation) on the demand a food firm faces for its products and the role of exchange rates in determining firm strategies when they market their products internationally.

MODULE II:

In the second module we will examine the effect of market power on the firm's marketing strategies, i.e., we compare price taking to price setting behavior with respect to the firm's market conduct strategies and its economic performance.

MODULE III:

In this module we will focus on formal market research, we will examine and compare various market entry strategies in international markets (e.g., franchising, licensing, contract manufacturing, joint ventures, greenfield operations and strategic alliances) and analyze conduct strategies (e.g., advertising, price discrimination, product differentiation) in terms of their effectiveness in enhancing a firm's competitiveness and performance in international food markets.

COURSE OBJECTIVES

This course is aimed at enhancing your critical thinking, your ability to make sound economic arguments, solve economic problems, gather and analyze information and your writing skills through classroom discussions, a series of written assignments and a class project. The main objectives of this course are to (i) provide you with the economic theory tools that will enable you to comprehend and evaluate the economic environment in which agribusiness firms operate and the conduct/marketing strategies undertaken by firms to enhance their economic performance (ii) teach you how you can apply microeconomic and marketing principles you have been exposed to in other courses to solve real world problems in the international food market. Specifically, after completing this course, you should:

1. Be familiar with the factors that shape the international food markets and the challenges that agribusiness firms face in these markets.
2. Understand the interdependence among alternative forms of organization of the food supply chain, market conduct strategies and a firm's economic performance.
3. Be able to evaluate the effectiveness of various conduct strategies (e.g., market entry strategies, pricing strategies) under different market structures.
4. Be able to use economic theory tools to analyze issues of importance to the agrifood marketing system (e.g., introduction of consumer oriented, 2nd generation genetically modified products into the food supply chain, labeling of new technologies).

ACE LEARNING OUTCOMES

The course is designed to achieve the following learning outcomes:

1. Learning Outcome 9: Exhibit global awareness or knowledge of human diversity through analysis of an issue.
2. Learning Outcome 10: Generate a creative or scholarly product that requires broad knowledge, appropriate technical proficiency, information collection, synthesis, interpretation, presentation, and reflection.

The course also reinforces Learning Outcome 1: Write texts, in various forms, with an identified purpose, that respond to specific audience needs, incorporate research or existing knowledge, and use applicable documentation and appropriate conventions of format and structure, Learning Outcome 3: Use mathematical, computational, statistical, or formal reasoning (including reasoning based on principals of logic) to solve problems, draw inferences, and determine reasonableness and Learning Outcome 6: Use knowledge, theories, methods, and historical perspectives appropriate to the social sciences to understand and evaluate human behavior.

OPPORTUNITIES TO ACHIEVE THE LEARNING OUTCOMES

You will use economic theory methods and tools to understand and evaluate firm behavior (e.g., market entry strategies, product development strategies and pricing strategies) through classroom discussions, a series of written assignments and problem sets and a class project – learning outcome 6. In solving problems, you will be required to use graphical analysis, derive the mathematical (analytical) solution as well as intuitively describe/explain the solution – learning outcomes 1, 3. The course examines the characteristics and shaping factors of international food markets and firm strategies in these markets and lectures, classroom discussions and written assignments are designed to achieve learning outcome 9. The written assignments along with a class project will be used to assess learning outcome 10 and will require collection, interpretation and presentation of information/data, the ability to reflect on your experience as a consumer and integrate general knowledge, materials and tools learned in this and in other courses.

COURSE REQUIREMENTS AND GRADING PROCEDURES

- **ATTENDANCE:** All students are expected to be present in all class sessions and actively participate in class discussions. I strongly advice you to take notes during class lectures as some of the material that will be discussed/taught in the classroom might not appear in the suggested list of readings.
- **ASSIGNMENTS:** During the course each of you will have to take unannounced and pre-announced class quizzes, complete written assignments/solve problem sets and complete a class project. The written assignments and problem sets are designed to test your understanding of the material as well as to let you explore how economic theory tools can be applied to solving real world problems. For instance, you will have to (i) determine market equilibrium solutions for given food markets (e.g., genetically modified and/or organic food products) and evaluate the implications of quality standards and labeling policies in these markets in the US and in the EU; (ii) identify, discuss and evaluate international market entry strategies of existing firms (real world examples) that were not successful; (iii) determine the optimal price discriminating strategy for a firm that sells its product in two different markets (e.g., Monsanto selling seed in the US and in Brazil).

Scores on assignments submitted up to a day late will be reduced by 20%. Assignments submitted more than one day late will not receive credit.

- **CLASS PROJECT:** The objective of the class project is to demonstrate that you are able to integrate and apply what you have learned in this class to a real world situation. To complete this project you will need to consult your class notes and conduct your own research. The class project is due on December 6th; you will submit a progress report and make a short class presentation on November 1st.
- **EXAMS:** During the course each of you will have to take one midterm and one final exam. The midterm exam will be held in class on October 20th, while the final exam will be held during the final examination period on December 14th from 10-12 noon.
- **GRADING:** Course grades will be determined as follows:

Assignments	20%
Class Project	25%
Quizzes, Classroom Participation	10%
Midterm examination	20%
Final examination	25%

GRADING POLICY: A=90-100, B=80-89, C=70-79, D= 60-69, F=below 60. Plus and minus grades will be given within these ranges.

Students electing to take this course as a Pass/No Pass are expected to earn an average course score of C or better to receive a Pass grade for the course.

COURSE MATERIALS

We will be using parts of the following textbooks:

- Perloff, J.M. *Microeconomics*. New York: Addison Wesley, 1998.
- Keegan, W. and M. Green. *Global Marketing*. 3rd edition, 2002.
- Kotabe, M. and K. Helsen. *Global Marketing Management*. 2nd edition, 2001.
- Terpstra, V. and R. Sarathy. *International Marketing*. 8th edition, 2000.
- Norwood B. and J. Lusk. *Agricultural Marketing and Price Analysis*. 2008.

We will also be using the following journal articles:

- Drabenstott M., “Industrialization: Steady Current or Tidal Wave?” *Choices*, Fourth Quarter, 1994.
- Boehlje M., “Industrialization of Agriculture: What are the Implications?” *Choices*, First Quarter, 1996.
- Klein, K.K., and W.A. Kerr. “The Globalization of Agriculture: A View from the Farm Gate.” *Canadian Journal of Agricultural Economics* 43 (1995): 551-563.
- Fulton, M. “The Economics of Intellectual Property Rights: Discussion.” *American Journal of Agricultural Economics*, 79 (Number 5, 1997): 1592-1594.
- Hobbs, J. “A Transaction Costs Approach to Supply Chain Management.” *Supply Chain Management*, 1 (Number 2, 1996): 15-27.

You are not required to buy a textbook for this course. All journal articles, power point lectures and additional readings will be available on Blackboard.

DRAFT COURSE OUTLINE

* Some of the following sections may not be covered *

Module I: Agricultural Marketing in a Changing Economic Environment: Agricultural Industrialization and Globalization

1. The Driving Forces of Agricultural Industrialization

Readings:

- Powerpoint Lecture. Available on Blackboard.
- Drabenstott M., “Industrialization: Steady Current or Tidal Wave?” *Choices*, Fourth Quarter, 1994.
- Boehlje M., “Industrialization of Agriculture: What are the Implications?” *Choices*, First Quarter, 1996.

2. The Driving Forces of Agricultural Globalization

Readings:

- Powerpoint Lecture. Available on Blackboard.
- Klein, K.K., and W.A. Kerr. “The Globalization of Agriculture: A View from the Farm Gate.” *Canadian Journal of Agricultural Economics* 43 (1995): 551-563.

2.1 Processing and Information Technologies

Readings:

- Klein, K.K., and W.A. Kerr. “The Globalization of Agriculture: A View from the Farm Gate.” *Canadian Journal of Agricultural Economics* 43: 551-563.

2.2 The Role of Intellectual Property Rights

Readings:

- Fulton, M. “The Economics of Intellectual Property Rights: Discussion.” *American Journal of Agricultural Economics*, 79 (Number 5, 1997): 1592-1594.

2.3 Reduced Government Intervention and Support: International Agreements and Financial Institutions

Readings:

- Terpstra, V. and R. Sarathy. “International Marketing: Other Dimensions and Institutions in the World Economy” in chapter 2, *International Marketing* 8th edition, 2000.

3. The Role of Quality Standards

3.1 Food Standardization and Grading

Readings:

- Powerpoint Lecture. Available on Blackboard.
- Kohls, R. and J. Uhl. Chapter 17, *Marketing of Agricultural Products* 9th edition, 1990.

3.2 Horizontal and Vertical Product Differentiation and the Market for ‘Lemons’.

- Perloff, J.M. Chapter 19, Asymmetric Information, *Microeconomics*. New York: Addison Wesley, 1998.

4. The International Food Market

Readings:

- Powerpoint Lecture. Available on Blackboard.
- Kohls, R. and J. Uhl. Chapter 7, *Marketing of Agricultural Products*. 9th edition, 1990.

Module II: Competition and Organization in Food Markets

1. Market Structure and Economic Performance – (REVIEW)

1.1 Price Taking vs Price setting behavior

Suggested Readings:

- Perloff, J.M. *Microeconomics*. New York: Addison Wesley, 1998.

2. Competition in Food Markets

Readings:

- Kohls, R. and J. Uhl. Chapter 9, *Marketing of Agricultural Products* 9th edition, 1990.

3. Supply Chain Management

3.1 The Changing Organization of Agricultural Markets

Readings:

- Kohls, R. and J. Uhl. Chapter 12, *Marketing of Agricultural Products* 9th edition, 1990.

3.2 A Transaction Costs Approach to Supply Chain Management

Readings:

- Hobbs, J. “A Transaction Costs Approach to Supply Chain Management.” *Supply Chain Management, 1 (Number 2, 1996): 15-27.*

Module III: Strategic Behavior: Economic Analysis of Marketing Strategies

1. Consumer Behavior and Market Research

Readings:

- Powerpoint Lecture. Available on Blackboard.
- Keegan, W. and M. Green. “Formal Market Research” in Chapter 6, *Global Marketing* 3rd edition, 2002.
- Norwood, B. and J. Lusk. Chapter 12 “Consumer Behavior and Research” in *Agricultural Marketing and Price Analysis*, Pearson Prentice Hall 2008.

2. Product Differentiation

Readings:

- Powerpoint Lecture. Available on Blackboard.
- Carlton, D.W., and J.M. Perloff. Chapter 8, *Modern Industrial Organization* 3rd or 2nd edition, New York: Addison Wesley, 2000.

3. Global Market Entry Strategies

3.1 Target market selection

- 3.2 Choosing the mode of entry**
- 3.3 Exporting**
- 3.4 Licensing**
- 3.5 Franchising**
- 3.6 Contract manufacturing**
- 3.7 Joint ventures**
- 3.8 Wholly owned subsidiaries**
- 3.9 Strategic alliances**

Readings:

- Powerpoint Lecture. Available on Blackboard.
- a. Kotabe, M. and K. Helsen. Chapter 9, *Global Marketing Management* 2nd edition, 2001.

4. Pricing Strategies

4.1 Global Pricing

Readings:

- Powerpoint Lecture. Available on Blackboard.
- Keegan, W. and M. Green. Chapter 12, pages 445-467 in *Global Marketing* 3rd edition, 2002.

4.2 Price Discrimination:

4.2.1 Perfect or 1st degree price discrimination

4.2.2 Multimarket or 3rd degree price discrimination

4.2.3 Non-linear pricing or 2nd degree price discrimination

Readings:

- Powerpoint Lecture. Available on Blackboard.
- Perloff, J.M. Chapter 13, *Microeconomics*. New York: Addison Wesley, 1998.

4.2.4 An Example of Price Discrimination: Agricultural Marketing Orders

Readings:

- Carlton, D.W., and J.M. Perloff. *Modern Industrial Organization*, 3rd or 2nd edition, New York: Addison Wesley, 2000.

5. Advertising

Readings:

- Powerpoint Lecture. Available on Blackboard.
- Carlton, D.W., and J.M. Perloff. Chapter 15, *Modern Industrial Organization* 3rd or 2nd edition, New York: Addison Wesley, 2000.

Class Project: Case Study

Progress Report and Short presentation: Tuesday, November 1, 2016

Final Project due date: Tuesday, December 6, 2016

The objective of this project is to demonstrate that you are able to integrate and apply what you have learned in this class to a real world situation. To complete this project you will need to consult your class notes and conduct your own research. You need to make sure that you provide all the references/web links for the information you provide based on your own research to receive credit. For information on what constitutes plagiarism and how to avoid it see <http://www.unl.edu/gradstudies/current/plagiarism.shtml>. The project should be typed and submitted electronically to ayiannaka2@unl.edu by the due date.

In this project you will form an agribusiness firm that produces a good or service of your choice. The firm will market its product/service in the domestic market (US) and internationally at a market/country of your choice. You need to justify your product/service and international market selection. You need to describe how you gathered information on your product/service and the markets, what entry strategy you will use, what pricing strategies you will employ, etc. Below, there are a number of questions/comments that will guide you in what you need to consider for your project report to be complete. Make sure you provide an answer to all these questions and consider all comments.

Questions/Comments

1. Justify your product and/or service selection as well as the selection of the international market.
2. Describe the domestic and international market; what is the market structure in each of these markets. What is the number of rivals, what are the entry and exit conditions? What are the main opportunities and challenges? What is the size and growth potential of each market? What are the types of risk (economic, political etc), what is the level of infrastructure?
3. What are your goals/firm objectives? Are they different in the two markets (domestic versus international)?

4. Are standards/grades going to be relevant to and/or be used by your firm (both locally and internationally)? Explain.
5. Discuss the role of Intellectual Property Rights (IPRs) in your markets (domestic and international). Are IPRs going to be relevant for your firm? Explain why yes or why not. How, if at all, market structure and IPRs are related?
6. Consider the basic steps of the market research process. Is any of your markets existing or potential? If potential, incipient or latent? (Note that the domestic and the international market do not have to be the same). What kind of data do you need (primary, secondary, both) and why? How are you planning to collect secondary and/or primary data? Describe the process of collecting, analyzing and presenting the data in details.
7. How do consumers view your product in each market (domestic vs international); horizontally or vertically differentiated to existing products? If any of the two markets is a potential market describe how you anticipate consumers to view your product/service. Justify your answer.
8. Discuss any differences between the international and local (US) market for your product/service and how they would affect your market research strategy. Be specific.
9. Discuss the strategy/strategies you will employ to enter into the international market. Explain why the strategy/strategies you chose are optimal given your product and market selection. Discuss the major external and internal criteria that influence the choice of the mode of entry (make sure to lead your discussion in the context of your firm).
10. What pricing strategies you will employ in the domestic and international market? Will you be using non-uniform pricing in any of these markets? Justify your answers.

Academic Dishonesty Information

Students are expected to adhere to guidelines concerning academic dishonesty outlined in Section 4.2 of University's Student Code of Conduct (<http://stuafs.unl.edu/ja/code/>). Students are encouraged to contact the instructor for clarification of these guidelines if they have questions or concerns. The Department of Agricultural Economics has a written policy defining academic dishonesty, the potential sanctions for incidents of academic dishonesty, and the appeal process for students facing potential sanctions. The Department also has a policy regarding potential appeals of final course grades. These policies are available for review on the department's website (<http://agecon.unl.edu/undergraduate>).

Emergency Response Information

- **Fire Alarm (or other evacuation):** In the event of a fire alarm: Gather belongings (Purse, keys, cellphone, N-Card, etc.) and use the nearest exit to leave the building. Do not use the elevators. After exiting notify emergency personnel of the location of persons unable to exit the building. Do not return to building unless told to do so by emergency personnel.
- **Tornado Warning:** When sirens sound, move to the lowest interior area of building or designated shelter. Stay away from windows and stay near an inside wall when possible.
- **Active Shooter**
 - **Evacuate:** if there is a safe escape path, leave belongings behind, keep hands visible and follow police officer instructions.
 - **Hide out:** If evacuation is impossible secure yourself in your space by turning out lights, closing blinds and barricading doors if possible.
 - **Take action:** As a last resort, and only when your life is in imminent danger, attempt to disrupt and/or incapacitate the active shooter.
- **UNL Alert:** Notifications about serious incidents on campus are sent via text message, email, unl.edu website, and social media. For more information go to: <http://unlalert.unl.edu>.
- Additional Emergency Procedures can be found here: http://emergency.unl.edu/doc/Emergency_Procedures_Quicklist.pdf

Special Needs Information

Students with disabilities are encouraged to contact the instructor for a confidential discussion of their individual needs for academic accommodation. It is the policy of the University of Nebraska-Lincoln to provide flexible and individualized accommodation to students with documented disabilities that may affect their ability to fully participate in course activities or to meet course requirements. To receive accommodation services, students must be registered with the Services for Students with Disabilities (SSD) office, 132 Canfield Administration, 472-3787 voice or TTY.