*Agribusiness Management (AG BM) 101, Fall 2015*          *M,W,F  3:35 – 4:25 PM*
**Economic Principles of Agribusiness Decision Making**          *112 Forest Resources*

*Instructor:* Dr. Edward (Ted) Jaenicke, tjaenicke@psu.edu

| <u>Office Hours</u> | <u>Location and Time (also by appointment):</u> | | |
|---|---|---|---|
| Monday, noon to 1:00pm | Kyle Hoy (TA) | Room 207 | Armsby |
| Tuesday, 11:00am to noon | Minghao Li (TA) | Room 207 | Armsby |
| Wednesday, 10:00am to 11:00am | Ted Jaenicke (Prof) | Room 208C | Armsby |
| Thursday, 11:00am to noon | Ben Scharadin (TA) | Room 207 | Armsby |
| Thursday, 4:00pm to 5:00pm | Ted Jaenicke (Prof) | Room 208C | Armsby |
| Friday, by appointment | | | |

*Learning Objectives:*

**A.  To help you understand** the following six basic, decision-based economic concepts:

   1. *Cost-Benefit Analysis – Total and Incremental*
      ❑ Proceed with your decision if the sum of benefits outweighs the costs.
      ❑ Your decision makes good economic sense if the incremental (extra) benefit exceeds the incremental (extra) cost.
      ❑ Consumer utility is maximized when marginal utility per dollar is the same across goods.
      ❑ Profits are maximized when marginal revenue = marginal cost.
   2. *Diminishing Marginal Utility/Productivity*
      ❑ Declining marginal utility (or productivity) from consuming a good (or utilizing an input) means there will be a time to consume or utilize something else.
   3. *Opportunity Cost*
      ❑ Choosing to do something means giving up something else, and this means that everything has a cost.
   4. *Market Equilibrium*
      ❑ Market supply and demand is based on decisions by many individual firms and consumers.
      ❑ Market price is determined jointly by supply and demand.
   5. *Time Perspective on Costs and Revenues*
      ❑ Money owed in the future must be discounted to compare with today's money.
   6. *Comparative Advantage*
      ❑ Produce what cost least, and trade for the rest.

**B. To help you understand** how to apply economics to decision making in the food, agriculture, and agribusiness sectors, including the following areas:
      ❑ Foreign Trade
      ❑ Federal Government Price and Income Policies
      ❑ Price and Income Risk Management
      ❑ Management of the Environment

*Course Overview:*

*Part I* *examines market systems, market equilibrium, and consumer demand.* We start by examining the "big picture" to explain how producers and consumers interact to resolve their conflicting desires in a market, and how free markets benefit society. The discussion begins by examining how markets function and how prices are determined in food and agricultural settings. We are particularly interested in how responsive consumers and producers are to price changes. Part 1 ends with coverage of the consumer problem to maximize his or her well-being on a limited budget. There will be an in-class exam covering Part I, Chapters 1 – 4, 6, and 7.

*Part II* *focuses on producers, the other key players in a market.* Producers maximize profits. By investigating the market from the producers' perspectives, we can answer producer questions of what and how much to sell. After we master these questions for the simplest case, we add the consumer back in so we can do a better job of predicting real-world market outcomes. Part II ends with an in-class exam covering Chapters 9 – 12 and 14.

*Part III* *examines special markets and topics.* After a discussion of how money owed in the future can be compared to money earned today, we will mainly investigate the special topics of agricultural policy and international trade. At the end of this section, I will give you a *comprehensive final exam* that will test your knowledge of Part III (which covers Chapters 16, 20, and 24), as well as knowledge acquired from the entire class.

*Textbook:*     Custom textbook: *Economic Principles of Agribusiness Decision Making,*
*AG BM 101* ISBN-10: 1-308-10673-4   ISBN-13: 978-1308-10673-1
From McConnell, Brue, and Flynn, *Microeconomics*, McGraw-Hill, 20th edition, 2014, Chapters 1 – 4, 6 – 7, 9 – 12, 14, 16, 20, and 24.

*Required Course Materials:*

There are three things you will absolutely need for AG BM 101:
  1. A textbook (noted above),
  2. Access to McGraw-Hill's Connect site for our class.
     Go to  http://connect.mheducation.com/class/e-jaenicke-fall-2015, and
  3. iClickers

There are two options to get a textbook and McGraw-Hill Connect access:

Option 1: Buy the official custom textbook, and you get a Connect Access code with it. The official textbook costs approximately $150 and is available only at the Barnes & Noble/PSU Bookstore on campus or the Student College Bookstore on College Ave.

Option 2: Buy (more accurately rent) an eBook directly from McGraw-Hill and Connect access comes with it. This option is $100. If you buy the eBook, you will have an opportunity to the loose-leaf, binder ready copy of the standard Microeconomics 20th edition  book directly from McGraw-Hill for $40.

***iClickers:*** Classroom participation via "iClicker" responses is required for this class (i.e., it is worth 10% of your final grade). Therefore, students are required to purchase an iClicker device (if they haven't already done so). An iClicker can be purchased at (i) the Barnes & Noble/Penn State Bookstore, where they are listed for AG BM 101, (ii) Amazon.com, or (iii) directly from iClicker.com. The price is approximately $35 to $40. (Note that the bookstore has a "buyback" program for iClickers.)

In order to receive participation credit, you will need to register your iClicker remote within the first TWO WEEKS of class. After the first two weeks, the iClickers will be used every day in class, and you are responsible for bringing your remote daily. Bringing someone's clicker to class and using it to get them points is cheating and falls under the same policy as academic dishonesty. If you are caught cheating, you will receive zero clicker points for the semester, and may face further action.

To register your iClicker, go to clickers.psu.edu and follow the instructions. If you have already registered an iClicker, you should not have to do this again. Note: registering a used clicker has a $6.99 fee.

***Grading:***

| | |
|---|---|
| Final Exam | 20% |
| In-Class Exams (2) | 25% total (12.5% each x 2) |
| Quizzes (3, drop 1) | 10% total (5% each x 2) |
| Homework (6, drop 1) | 25% total (5% each x 5) |
| LearnSmart Chapter Exercises | 10% total (with 5% extra credit available) |
| Participation (via iClickers) | 10% |
| Extra Credit – Review Sets | 5% |
| | **100% + 5%** possible extra credit |

***Grades:***

| | | | | |
|---|---|---|---|---|
| A | ≥ 91% | C+ | 77.0 - 78.9% |
| A- | 89.0 - 90.9% | C | 69.0 - 76.9% |
| B+ | 87.0 - 88.9% | D | 60.0 - 67.9% |
| B | 81.0 - 86.9% | F | < 59.9% |
| B- | 79.0 - 80.9% | | |

***Make-up Exam Policy:***

❑ Exams: There will be two scheduled in-class exams. Students with an <u>excused absence</u> on the date of the exam can take a make-up exam during scheduled class time two classes after the exam date. For example, if the exam is scheduled for a Wednesday, the student with an excused absence can take a make-up exam on the following Monday.
❑ Quizzes: Because students can drop the lowest Quiz grade, there are <u>no make-up quizzes</u>.

***Classroom Rules and Expectations:***

1. We expect you to be in class each time we meet; however, we will not take attendance. Instead, we will actively ask questions that students will answer using iClickers, and we will record students' iClicker activity. At the end of the year, 10 percent of the grade will be based on the percentage of time that students' responded to iClicker questions.
2. We will cover at least one book chapter each week. Students should read the book chapter as we start a new lesson.

3. Homework assignments, quizzes, and exams will feature similar but not identical problems to those covered in class.
4. The instructors will very happily assist students during office hours.
5. Cell phone use is never allowed. For quizzes and exams, simple calculators are allowed, but cell phones and other electronic devises must be put away.

*How to Succeed:*   Students who do the best in this course are those who come to class regularly and are attentive. The material on the homework and quizzes is similar to what will be on the exams. Since these concepts build on each other and reappear on the next exam, these are the items you should study the hardest when preparing for the next test. Because the exams in this class focus on problem solving, last-minute cramming is not very useful. The website for course textbook has extensive materials including LearnSmart modules that can help you review each chapter. The LearnSmart modules are somewhat fun, and are excellent preparation for the homework assignments. A minimum of 10 (of 14) modules are required for full points, though I recommend working through all of them. Before each exam (including the final), there will be a LearnSmart-based review exercise. These review sets have a required portion as well as an extra credit portion.

*Late Assignments:*   Homework assignments are automatically graded on the Connect web site. A late penalty of 10% per day – starting the minute an assignment is late – will be automatically assigned.

*Academic Integrity*:  Penn State defines academic integrity as the pursuit of scholarly activity in an open, honest and responsible manner. All students should act with personal integrity, respect other students' dignity, rights and property, and help create and maintain an environment in which all can succeed through their own efforts (Faculty Senate Policy 49-20).

Dishonesty of any kind will not be tolerated in this course. Dishonesty includes, but is not limited to, cheating, plagiarizing, fabricating information or citations, facilitating acts of academic dishonesty by others, having unauthorized possession of examinations, submitting work of another person or work previously used without informing the instructor, or tampering with the academic work of other students. Students who are found to be dishonest will receive academic sanctions and will be reported to the University's Judicial Affairs office for possible further disciplinary sanction.

*Disability*:   The Pennsylvania State University encourages qualified people with disabilities to participate in its programs and activities and is committed to the policy that all people shall have equal access to programs, facilities, and admissions without regard to personal characteristics not related to ability, performance, or qualifications as determined by University policy or by state or federal authorities. If you anticipate needing any type of accommodation in this course or have questions about physical access, please tell the professor as soon as possible.

*Course Material on the Web,*  http://cms.psu.edu: The material for this course is available as part of PSU's ANGEL system.   Prior to each class, we'll (try to) put an advance copy of the next day's lecture notes on the Web. These "pre-class" notes may be intentionally incomplete. After each class, we'll add our complete class notes, in the form of PowerPoint slides, to the Web site. We'll also keep copies of the syllabus and homework assignments on the Web site. Finally, throughout the course we'll add some review sheets and study aids to the Web site.

### AG BM 101, *Course Schedule Fall Semester 2015* (subject to change)

| Week (Dates) | Topics | Readings/Notes |
|---|---|---|
| 1. Aug. 24, 26, 28 | Introduction and class logistics<br>Major concepts (scarcity, utility, incremental analysis, production possibilities<br>The market system and 5 fundamental questions | Ch. 1 and 2 |
| 2. Aug. 31; Sept. 2, 4 | Law of Demand/Market Demand Curve<br>Law of Supply/Market Supply Curve<br>Market Equilibrium and Changing Conditions<br>Market Intervention (by government policy) | Ch. 3<br>HW 1 assigned (8/31) |
| 3. *Sept. 7 No Class* Sept. 9, 11 | Welfare – Consumer and Producer Surplus<br>Public Goods<br>Externalities | Ch. 4<br>HW 1 due (9/11) |
| 4. Sept. 14, 16, 18 | Demand Elasticity – definition, formula, factors<br>Supply Elasticity<br>Cross-price Demand Elasticity<br>Income Elasticity of Demand | Ch. 6<br>HW 2 assigned (9/14) |
| 5. Sept. 21, 23, ⃝25 | Utility (Total and Marginal)<br>Law of Diminishing Marginal Utility<br>Utility-maximizing rule for purchase choices<br>Indifference Curves | Finish Ch. 6<br>Ch. 7<br>HW 2 due (9/23)<br>**Quiz 1 (Fri., 9/25)** |
| 6 Sept. 28, ▢30; Oct. 2 | Finish Chapter 7/Start Chapter 9<br>Review session for Ch. 1-4, 6, 7 (Mon. eve, Sept. 28)<br>Production – Law of Diminishing Returns (Ch. 9) | **Exam 1: Wed., 9/30**<br>**Chapters 1-4, 6, 7**<br>Ch. 9 |
| 7. Oct. 5, 7, 9 | Average and Marginal Product<br>Fixed, Variable, Marginal, and Total Costs<br>Economies of Scale | Ch. 9<br>HW 3 assigned (10/5) |
| 8. Oct. 12, 14, 16 | Perfect/Pure Competition<br>Average, Total, and Marginal Revenue<br>Profit Maximization Rule<br>Marginal cost and Short-Run Supply | Ch. 10<br>HW 3 due (10/16) |
| 9. Oct. 19, ⃝21, 23 | Long Run Equilibrium<br>Profit Maximization with Entry and Exit by Firms | Ch. 11<br>**Quiz 2 (Wed., 10/21)**<br>HW 4 assigned (10/23) |
| 10. Oct. 26, 28, 30 | Monopoly<br>Price discrimination | Ch. 12 |
| 11. Nov. 2, 4, 6 | Marginal Revenue Product = Resource demand<br>Another profit maximizing rule | Ch. 14 |
| 12. Nov. 9, ▢11, 13 | Time value of Money<br>Interest, Present Value, and Future Value<br>Review session for Ch. 7-10, 12 (Monday eve Nov. 9)<br>Agricultural Policy | Ch. 16; HW 4 due (11/9)<br>**Exam 2: Wed. 11/11**<br>**Chapters. 9 – 12, 14**<br>HW 5 Assigned (11/13) |
| 13. Nov. 16, 18, 20 | Agricultural Policy<br>International Trade/Comparative advantage | Ch. 20<br>HW 5 due (11/20)<br>HW 6 assigned (11/20) |
| *Nov. 23, 25, 27* | ***Thanksgiving Break – No Classes!*** | |
| 14. Nov. 30; Dec. 2, 4 | Export supply/Import demand | Ch. 24<br>HW 6 due (12/4) |
| 15. Dec. ⃝7, 9, 11 | Review Session last two days (Dec. 9 and 11) | **Quiz 3 (Mon., 12/7)** |
| *Finals Week, Dec. 14-18* | ***FINAL EXAM:  time and place TBD***<br>***Check eLion if you have a conflict*** | |