

**AGRICULTURAL ECONOMICS 420:
INTERNATIONAL AGRICULTURAL TRADE AND FINANCE
Course Syllabus: Spring 2009**

I. Basic Information: Classes meet Tuesdays and Thursdays, 8:00-9:15, in 302 Filley Hall.
Instructor: Wes Peterson, 314C H.C. Filley Hall (0922); epeterson1@unl.edu

II. Course Structure: The purpose of this course is to introduce students to some of the basic concepts of international trade and finance as applied to trade in food and agricultural products.

- A. Brief Overview of Trade Theory.
- B. The Effects of Government Intervention in International Agricultural Markets.
- C. Current issues in International Agricultural Trade.
- D. International Finance.

III. Organization, Requirements and Grading Procedures.

A. Class Attendance: Students are expected to attend all class sessions. It is the student's responsibility to keep up with any changes in the schedule. Because most of the course content will be presented in class, the ability to take accurate lecture notes is indispensable for passing the course.

B. Course Requirements: This course has been structured to meet the requirements for designation as a capstone and integrative-studies course. It can also be counted toward the CASNR and agricultural economics department international requirements. A written student project (see below) is also required and class participation is expected.

1. Exams: There will be a midterm and a final exam. The dates for these exams are indicated in the attached course outline. These dates will only be changed in truly exceptional circumstances. No make-up exams will be given. Exams will include problems and essay questions based on material covered in class and in the readings.

2. Homework Assignments: Three homework assignments are due in class on the dates indicated in the course outline. These exercises will be handed out one week before they are due and will not be accepted after the due-date. Students may work together on these assignments but they are to be written up individually in each student's own words. If the answers to the questions are worded identically on two homework sets, both students will receive zeros for the exercise. All homework assignments are to be submitted as electronic files.

In addition to the homework assignments, students are to submit a report on one of the four E. N. Thompson Lectures scheduled for Spring Semester:

February 10: "Bridging the Gap: Globalization without Isolation" by F. W. de Klerk.

March 4: "Notes from Afghanistan" by Sarah Chayes.

March 25: "Illegal Immigrants: Path to Citizenship?" debate between M. Olivas and V. Briggs.

April 14: "Citizenship in a Global Age" by Colin Campbell.

Reports may be submitted at any time during the semester up until April 21 which is the last date the reports will be accepted. They should be submitted in electronic files. In writing your reports, note that it is inappropriate to refer to the speaker by his or her first name. Refer to speakers by their last names with or without a title (Mr., Ms., Dr., etc.). Homework assignments and the Thompson report will be checked for plagiarism.

University graduates are expected to be able to write using correct grammar, syntax, spelling and so on. Homework assignments will usually have sections requiring some written commentary. Points will be deducted for writing errors in these commentaries as well as in the student projects. It is important for most students to work on improving their writing before graduation.

3. Readings: Most of the required readings for the course are available on the internet. The primary reading sources are two on-line textbooks by Steven S. Suranovic (Econ professor at George Washington University in Washington DC) located at: <http://internationalecon.com/> The texts are International Trade Theory and Policy Analysis (referred to as “trade text”) and International Finance Theory and Policy Analysis (referred to as “finance text”). The chapters can be read on-line or printed directly from the internet page. In addition to readings from the textbook by Suranovic, several other on-line publications are assigned. The internet addresses for these publications are listed in the course outline and posted on Blackboard. Readings are to be completed prior to the class period for which they are assigned. The instructor may distribute other material in class. Any material handed out in class is considered to be part of the required reading for the course. Reading assignments are intended to support and complement the class discussions and should not be seen as substitutes for class notes.

4. Student Projects: World Commodity Markets (see the complete description at the end of the syllabus). Students will be assigned particular commodities to study. The analytical results are to be presented in papers of 10-12 pages excluding tables, charts, and references. Papers must be written individually. Full and accurate documentation of the sources used is required. Any information obtained through the internet must be fully documented including the internet address, the source of the information and a full bibliographic citation of author, publisher, date and so on. Projects are to be submitted in an electronic file. They will be checked for plagiarism. The rubric (scoring guide) used to grade the projects will be distributed in class.

WARNING: Plagiarism on any assignment will result in a grade of zero and a report to Student Judicial Affairs. It is plagiarism to copy words written by someone else without putting them in quotation marks and documenting the source. It is plagiarism to take a passage written by someone else and change a few words and then try to pass it off as your own writing. It is plagiarism to use information from another source without making it clear where the information has been obtained. If you are confused about plagiarism, check with the instructor. Plagiarism is academic dishonesty that is just as bad as cheating on a test (see 2008/09 undergraduate bulletin, p. 444). Evidence of plagiarism will result in severe grade penalties up to and including an “F” in the course. Grades may also be reduced for writing errors in the paper.

IV. Grading Procedures: The dates listed in the course outline will only be altered in exceptional circumstances. Academic dishonesty (cheating, plagiarism) will result in severe grade penalties. Homework assignments and the student projects will not be accepted after the due-dates unless a valid written excuse is provided. Participation in class discussions is expected. A grade of at least 50 percent is required on the final exam to pass the course. Students who obtain less than 50 percent on the final will fail the course. For those with at least 50 percent on the final, grades will be based on the following weighting:

Midterm exam:	18%
Homework (3 at 8% each):	24%
Thompson report	8%
Student Project:	20%
Final Exam:	<u>30%</u>
	100%

COURSE OUTLINE

I. Introduction and Theoretical Background

Jan. 13: Introduction and Overview of Agricultural Trade.

Jan. 15: Absolute and Comparative Advantage.

Read: Trade Text, Chapters 30 (A Pure Exchange Model of Trade) and 40 (The Ricardian Model of Comparative Advantage).

Jan. 20: Modern Trade Theory: the Gains from Trade.

Read: Trade Text, Chapter 60 (The Heckscher-Ohlin (Factor Proportions) Model).

Jan. 22: Modern Trade Theory: Goods and Factors.

Read: Trade Text, Chapter 70 (Factor Mobility and Trade).

Jan. 27: Modern Trade Theory: Alternative Assumptions.

Jan. 29: New Trade Theory and Economies of Scale.

Read: Trade Text, Chapter 80 (Economies of Scale and International Trade).

FIRST HOMEWORK ASSIGNMENT DUE

Feb. 3: Theories of International Trade: summary.

II. Government Intervention in World Agricultural Markets

Feb. 5: The Concept of Protectionism.

Read: Trade Text, Chapter 10 (Trade Policy Tools).

Feb. 10 : Partial Equilibrium Framework.

Read: Trade Text, Chapter 90 (Trade Policy Effects with Perfectly Competitive Markets).

Feb. 12: Welfare Effects of Import Barriers.

Feb. 17: Welfare Effects of Export Subsidies/taxes.

Feb. 19: Political Economy of Protectionism/Free Trade.

Read: Trade Text, Chapter 120 (Evaluating the Controversy Between Free Trade and Protectionism).

SECOND HOMEWORK ASSIGNMENT DUE

III. Issues in Food and Agricultural Trade

Feb. 24. 3: The World Trade Organization (WTO).

Read: "Global Institutions and the WTO," Chapter 4 in *A Billion Dollars a Day* by E. Wesley F. Peterson, posted on Blackboard.

Feb. 26: Customs Unions and Regional Integration.

Read: Trade Text, Chapter 110 (Special Topics).

Mar. 3: Agriculture in the WTO.

Read: "Agriculture: Fairer Markets for Farmers," WTO at

http://www.wto.org/english/thewto_e/whatis_e/tif_e/agrm3_e.htm

Mar. 5: Issues in international agricultural trade.

Mar. 10: Review for exam.

Mar. 12: **MIDTERM EXAM**

Mar. 24: Review of midterm exam results and discussion of writing, fitting time-trends with Excel, and other issues related to the student projects.

Mar. 26: Trade and the Environment.

Read: Part I of notes on trade and environment (env-devel) posted on Blackboard.

Mar. 31: Trade and Development.

Read: Part II of notes on trade and development (env-devel) posted on Blackboard.

Apr. 2: Globalization.

IV. International Finance

Apr. 7: Introduction to International Finance.

Apr. 9: Balance of Payments.

Read: Finance Text, Chapter 5 (National Income and the Balance of Payments Accounts).

Apr. 14: Balance of Payments Policy

Read: Finance Text, Chapter 6 (The Whole Truth about Trade Imbalances).

THIRD HOMEWORK ASSIGNMENT DUE.

Apr. 16 : Exchange Rates.

Read: Finance Text, Chapter 10 (Foreign Exchange Markets).

Last day to submit report on E. N. Thompson lecture.

Apr. 21: Exchange Rates.

Read: Finance Text, Chapter 30 (Purchasing Power Parity).

Apr. 23: Case Study: The Euro and the EU's Agri-Monetary System.

Read: Appendix 7.1 in Chapter 7 of *A Billion Dollars a Day* posted on Blackboard.

STUDENT PROJECTS DUE.

Apr. 28: Class discussion of globalization and the anti-globalization movement.

Apr. 30: Course Summary and Review.

FINAL EXAM, 7:30-9:30 a.m., May 6 (Wednesday).

AECN 420: Student Projects: Commodity Analysis.

The student project is an exercise in the use of statistical data to predict future trade patterns for a particular commodity. The instructor will assign each student a different commodity to study. To complete the exercise, you will need to identify the countries and regions that are the major producers and consumers of your commodity and collect historical statistics on national, regional and total production, consumption and trade as well as trends in the world price. You should try to collect fifteen to twenty years of statistics (e.g., annual data from 1985 to 2005). Grades will be based on how well the data are used to support the analysis and conclusions and how well concepts developed in the course are incorporated into the discussion. Papers should be 10-12 pages in length excluding references and statistical appendices.

For many commodities, there will be particular circumstances that influence the market. For example, natural fibers such cotton, jute or sisal all face stiff competition from synthetic fibers. The policies of both developing and industrialized countries with respect to a particular commodity may also be significant. You will need to learn enough about your assigned commodity to be able to include policies and other market conditions in your analysis.

All data collected should be presented in the form of tables in an appendix to the paper. Important data that you discuss in the text should be presented as tables, charts or graphs in the text. To predict the future you will need to add trend lines to the most important graphs with a projection of the trend eight to ten years into the future. In processing and displaying the data, you should use Excel or some other spreadsheet program to fit time trends that can be extrapolated to forecast the future. Try all the options (linear, quadratic, logarithmic, etc.) and choose the one that seems to give the best fit. Use the time trend to predict the evolution of the variables over the next ten years. For example, if the trend in total consumption is growing faster than the trend in total production, there may be upward pressure on the world price. Data on world commodity prices should be presented in both real and nominal terms and you should explain what index you used to deflate the nominal prices.

Once you have analyzed the prospects for prices and quantities traded for the next ten years using trends, you should draw on your understanding of the market to qualify the trend results. For example, if it appears that production will grow more rapidly than consumption suggesting a fall in prices but you have learned that demand for the commodity in question is likely to begin increasing for some reason (e.g., increased production of biofuels), you may want to modify the results of the trend projections to take this into account. You should be as creative as possible in developing your analysis. The final part of the paper should summarize your results and draw out policy implications for the countries involved in this commodity trade and for the WTO.

Most of the data you will need can be found through the internet. The Food and Agricultural Organization (www.fao.org) has extensive data on commodity production, consumption, exports, and imports. Other sources of data are the Economic Research Service (ERS, www.ers.usda.gov), the Foreign Agricultural Service (FAS, www.fas.usda.gov), the World Bank (www.worldbank.org), the WTO (www.wto.org), the OECD (www.oecd.org), and the IMF (www.imf.org). The IMF publishes data on commodity prices in its annual yearbook entitled *International Financial Statistics*. ERS and the WTO are good sources for general information on world commodity markets. Data sources should be carefully documented and listed at the end of the paper along with any other sources you have used in writing the paper. Papers are to be submitted in an electronic file so they can be checked for plagiarism. Any plagiarism detected will result in a grade of zero, possible failure of the course and a report to student judicial affairs. Submit a single file with both text and data. Do not submit separate Excel data files.