

AEC 300: Topics in Agriculture Economics

Subtitle: Equine Markets

Fall Semester 2007

MWF 11:00 am – 11:50 am
September 28 – October 29

Room: Ag North, A7

Instructor Roger Brown
Office: 304 C. E. Barnhart Building
Office Hours: immediately after class or by appointment
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Teaching Assistant: Kimberly Brown (kimberly.brown@uky.edu)

Required Texts None.

Course Description

AEC 300 TOPICS IN AGRICULTURAL ECONOMICS

This is a special topics course in agricultural economics; a subtitle is required. This course examines the structure and performance of equine markets with particular emphasis on how these markets respond to changes in supply, demand, input costs, government regulation, and the like. Markets examined may include those related to racehorses, equine tourism, real estate, labor, ancillary inputs, horse meat, casino gaming, sport horses, insurance and other support services, transportation, retail sales, and horse breeding. The course may be repeated under a different subtitle to a maximum of 6 credits. ECO 201 or consent of the instructor is a course prerequisite.

Learning Objectives

By the conclusion of this course, students should be able to:

- (1) Identify equine markets and understand how these markets are related economically;
- (2) Analyze critically equine markets using conceptual economic tools: and
- (3) Form logical economic arguments about current issues in the equine industry.

Grading

Course grades will be based on class preparation / participation and five (5) integrated writing assignments addressing a single equine market selected by the student and jointly comprising an in-depth market analysis. Weighting will be as follows:

(1) Assignment 1: "Market Overview"	Identify / define market	20 percent
(2) Assignment 2: "Market Equilibria"	Analyze supply / demand shifts	20 percent
(3) Assignment 3: "Price Sensitivity"	Analyze price elasticities	20 percent
(4) Assignment 4: "Profit Expectations"	Analyze market structure	20 percent
(5) Assignment 5: "Market Report"	Integrate assignments 1-4	10 percent
(6) Class preparation / participation		10 percent
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		100 percent

Course grades will be as follows:

A = 90 percent or more
B = 80 – 89 percent
C = 70 – 79 percent
D = 60 – 69 percent
F = 59 percent or less

Class Participation

All students are expected prepare for class everyday. On class discussion days, all students should prepare to discuss how the previous lecture material applies to their selected equine market. At the beginning of these class sessions, six students will be identified by random drawing. For that day, these six students will be evaluated for their class participation (10% of final grade) based on the quality of their comments and class preparation. Every student will have an equal chance of being selected each day. In unusual situations, the instructor may select alternate students if particular students' names are drawn disproportionate numbers of time.

Important Dates

Friday, September 28	Class starts, lecture about and distribute Assignment 1
Monday, October 1	Discuss Assignment 1
Wednesday, October 3	Discuss Assignment 1
Friday, October 5	Lecture about and distribute Assignment 2, Assignment 1 due
Monday, October 8	Discuss Assignment 2
Wednesday, October 10	Discuss Assignment 2
Friday, October 12	Lecture about and distribute Assignment 3, Assignment 2 due
Monday, October 15	Discuss Assignment 3
Wednesday, October 17	Discuss Assignment 3
Friday, October 19	Lecture about and distribute Assignment 4, Assignment 3 due
Monday, October 22	Discuss Assignment 4
Wednesday, October 24	Discuss Assignment 4
Thursday, October 25	NO CLASS, Assignment 4 due (3pm, 304 Barnhart)
Friday, October 26	Discuss Assignment 5
Monday, October 29	Class ends, Assignment 5 due

Excused Absences

Students should inform the instructor in writing if they know in advance that they will miss a class due to an excused reason such as: (a) illness, (b) serious illness or death in your immediate family, (c) a University-sanctioned field trip, or (d) religious holiday. Excuses for missed class and/or exams will be granted as per University policy. Students seeking an excused absence must present to the instructor a typed or handwritten note with the following information:

- 1) Student's name,
- 2) Date(s) of absence,
- 3) Reason for absence (please include the date, time, and location of any appointments; please do not divulge any personal medical or family information).
- 4) Information to confirm reason for absence (e.g. doctor's office number), and
- 5) This sentence: "I certify that the information contained in this note is true and accurate to the best of my knowledge," followed by the student's signature and a date.

Students with Disabilities

Early in the semester, students with disabilities should provide me with a letter from the UK Disability Resource Center (DRC) that certifies the need for exam or classroom accommodations. It is the student's responsibility to register with the DRC that will verify the disability and need for accommodations. For additional information, contact the DRC at 257-2754. Website:

www.uky.edu/StudentAffairs/DisabilityResourceCenter

Grievance Policy

Students are encouraged to discuss any grievances that they may have regarding the class with the instructor as soon as possible. Students who wish to dispute a grade on an assignment should present their concerns about that grade to the instructor in writing, including a justification for a grade change.

Plagiarism

All academic work, written or otherwise, submitted by students to their instructors or other academic supervisors, is expected to be the result of their own thought, research, or self-expression. In cases where students feel unsure about a question of plagiarism involving their work, they are obliged to consult their instructors on the matter before submission.

When students submit work purporting to be their own, but which in any way borrows ideas, organization, wording or anything else from another source without appropriate acknowledgement of the fact, the students are guilty of plagiarism.

Plagiarism includes reproducing someone else's work, whether it be published article, chapter of a book, a paper from a friend or some file, or whatever.

Plagiarism also includes the practice of employing or allowing another person to alter or revise the work that a student submits as his/her own, whoever that other person may be. Students may discuss assignments among themselves or with an instructor or tutor, but when the actual work is done, the student must either do it alone or provide appropriate attribution.

When a student's assignment involves research in outside sources of information, the student must carefully acknowledge exactly what, where and how he/she has employed them. If the words of someone else are used, the student must put quotation marks around the passage in question and add an appropriate indication of its origin. Making simple changes while leaving the organization, content and phraseology intact constitutes plagiarism. However, nothing in these rules shall apply to those ideas that are so generally and freely circulated as to be a part of the public domain. If in doubt, ask your instructor.

Please refer to the "Student Rights and Responsibilities" Codes regarding plagiarism. These University rules will be strictly enforced. In this class, the minimum punishment for plagiarism is an 'E' grade in the course.

Cheating

Cheating is defined by its general usage. It includes, but is not limited to, wrongfully giving, taking, or presenting any information or material by a student with the intent of aiding himself/herself or another on any academic work which is considered in any way in the determination of the final grade. Any question of definition shall be referred to the University Appeals Board.

Please refer to the "Student Rights and Responsibilities" Codes regarding cheating. These University rules will be strictly enforced. In this class, the minimum punishment for cheating is an 'E' grade in the course.

A Comment about Academic Honesty

The internet is full of facts and opinions. Facts from trusted sources are great. However, I do not care about opinions, analyses, predictions, assessments, judgments, or conclusions given by anyone else but you. In this class, I try to convince you, try to show you, try to teach you that your opinions matter. Give this class a chance, strive to learn what I have to teach you, and you will be a better, more employable economic thinker. Gather your facts, bring them to class, analyzes them in the ways that I show you, write about them in the ways that I ask you, and you'll do more than earn a good grade in this class... you'll develop valuable analytical skills that will impress employers and prepare you to improve your world. Don't depend on anyone else to analyze or interpret the facts; do your own work.

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ASSIGNMENT 1: “Market Overview” Definition of Market 20 percent of final grade

This is your first assignment for this class. This will be one of four major sections of your final market analysis report (Assignment 5). In this first assignment, students must identify and define a relevant equine market. This market will be the same market that you analyze and study for the remaining assignments in this class.

Students might wonder, “What is a market?” A market is a group of buyers and sellers organized for the purpose of exchanging goods or services. The global equine industry is comprised of many market “sub-sectors” and a nearly infinite range of particular equine markets. To say that the “equine industry” is comprised of “sub-sectors” is just a way to make organizational sense of all the individual markets. So, for instance, one might categorize all the particular equine markets into the following market sub-sectors: racehorses, equine tourism, real estate, labor, ancillary inputs, horse meat, casino gaming, sport horses, insurance and other support services, transportation, retail sales, and horse breeding. Each of these sub-sectors may be further divided into more particularly defined markets.

As a market analyst, one purpose of defining a market is to sort out for yourself (and your client / reader) what particularly you plan to analyze and, as importantly, what you do not propose to analyze. Most economic predictions (along with the underlying analyses) turn out to be wrong in various ways. You want to be able to say, “This specific market is all that I analyzed.” Suppose you analyze the current global market for thoroughbred yearlings with sires that had \$100,000 plus stud fees. If a detractor says, “You predicted that market prices for racehorses would increase, and clearly you were wrong.” You want to be able to clarify, “Look, I examined the market for a particular type of thoroughbred racehorse, not all racehorses; I may be wrong in some respects about the market I analyzed, but I never claimed to say anything about the market for all racehorses.” This is one of the primary reasons **WHY** you need to define a market.

The next question is **HOW** to define a market logically. I generally recommend that students define markets “characteristically in time and space”. What does this mean? This means that you narrow the market in three ways. One, you limit your analysis by selecting certain characteristics of the market you want to examine. In the example above, I proposed to look at the market for “thoroughbred yearlings with sires that had \$100,000 plus stud fees.” In other words, I selected characteristics that limit my analysis to highly capitalized, unproven racehorses. My reasoning is that the buyers and sellers of these horses are legitimately and logically distinct from other racehorse buyers and sellers. I judged (based on the facts I found) that the buyers and sellers of these horses are, arguably, a distinct group.

Secondly, you should limit your analysis to a certain time. Most markets—including equine markets—change over time. The market for draft horses is surely different today than it was 100 years ago when draft horses were used more commonly to pull carriages, plows, logs, etc. In the example above, I simply said that I would be looking at the “current” market for thoroughbred yearlings. Unless you have a real interest in economic history, I suggest that students choose to analyze a current market too. The analysis of a market in its current state automatically qualifies it as an interesting market.

Finally, you want to limit the scope of your analysis geographically in some logical way. In the example above, I said that I would be looking at the “global” market. The key to defining a market “in space” is that your limiting criteria must make economic sense. Many agricultural goods (like expensive thoroughbred yearlings) have a global market. The buyers are from all over the world and so are the sellers. In other cases, the logical market space may be much smaller. For example, the market for reliably-broke gelded riding horses is probably local. Why? If you wanted to buy or sell one of these horses, you would probably look for a marketing venue that has a mostly local audience; you would look in the local newspaper, for instance. You wouldn’t look for classified ads in (or place a classified ad in) one of the national sport-horse magazines for this type of horse. Also, transportation costs arguably limit how far away one should reasonably search for a seller or buyer of a horse like this.

There is an important “pit fall” that you probably want to avoid when selecting an equine market to analyze. Don’t pick a market that is too narrowly defined; it won’t be very interesting or a very realistic exercise. For example, it would be fine to examine the current market for international horse transportation, but you wouldn’t want to examine the market for a particular firm’s (e.g., Mersant’s) international horse transportation. There may be a number of consumers/buyers of Mersant’s horse transportation services, but by definition you have limited yourself to only one supplier. Monopoly markets (i.e., a one-seller markets) are not best suited for the type of economic analysis presented in this course.

We will discuss next week about identification and definition of markets. You should come to class on Monday having made your best effort to identify a suitable and appropriate equine market to analyze. To help with your preparation, you should answer as best as possible the following questions:

- (1) Have you logically defined your market characteristically in time and space?
- (2) What are the major input costs, ranked by significance?
- (3) What are the number of suppliers and the major suppliers?
- (4) What is the number of consumers and the major consumers?
- (5) What goods or services are the clearest and best substitutes for consumers?
- (6) What goods or services are the clearest and best complements for consumers?
- (7) Is the good or service you selected most likely a normal or inferior good?
- (8) Are there any related outputs, either substitutes in production or complements in production?
- (9) Is your market for a good or service?
- (10) What sort of advertising is evident in your market?
- (11) What is the logical geographic distribution area for your good or service?
- (12) What sort of government intervention or organizational rulemaking is evident in your market? (e.g., trade restrictions, taxes, regulations, quality controls, certifications/education requirements, quality control measures, reporting requirements, etc.)
- (13) What are the barriers to entering into this market? Is it expensive to start a firm?
- (14) What informational barriers might there be to starting a firm in this market?
- (15) To what degree is the good or service homogeneous (the same) as other products?
- (16) How adaptable are the factors of production (inputs)? Can they be used to produce other goods?
- (17) What opportunities are there for forward or backward integration of your market (e.g., for farmers to integrate forward with distributors or processors to integrate backward with farmers)?
- (18) What are the fixed costs for producers in your market? Are these significant?
- (19) Does the good or service represent a large portion of your typical market consumer’s income?