**ABM 3101 AGRIBUSINESS PRICE ANALYSIS**

2. INSTRUCTOR: Mr. Diiro B.A.( Econ), MSc. (Agric Econ)

**3. COURSE TYPE**: CORE for B. Agribusiness Management III

**4. COURSE STRUCTURE**

3 Credit units: 30 lecture hours (2 contact hours per week for 15 study weeks) and 30 tutorial hours (1 contact hour per week for 15 study weeks)

**5. COURSE DESCRIPTION:**

Factors affecting prices of agricultural products: long-time, cyclical, seasonal and other price movements; Sources of information relating to production and demand factors; Government activities as they relate to prices of agricultural products; methods and problems in price analysis and forecasting

**6. COURSE OBJECTIVES:**

* To enable students to understand the characteristics and behaviour of agricultural prices
* To give students tools to use to analyse and forecast price movements

**7. RECOMMENDED REFERENCES FOR READING**

Tomek W. G. and Robinson K. L. (1990): Agricultural Product Prices, Third Edition, CornellUniversity Press

Tayebwa B. M. (1992): Basic Economics, Second Edition, Simplified Textbooks Agency

Kohls R. L. and Uhl J. N. (1985): Marketing of Agricultural Products, Sixth Edition, Macmillan Publishing Company

Ellis Frank (1992): Agricultural Policies in Developing Countries, CambridgeUniversity Press

**8. COURSE CONTENT, METHODS OF INSTRUCTION AND TOOLS AND REQUIRED**

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| **TOPIC** | **CONTENT** | **METHOD OF INSTRUCTION / Time allocated** | **TOOLS/ NEEDED** |
| Demand Theory | * Definitions of demand, quantity demanded, utility, indifference curves
* Determination of consumer equilibrium
* Changes in demand & quantity demanded
* Determinants of demand
* Delayed adjustments to price changes

Determining consumer equilibrium, effect of price change on consumer equilibrium,  | Interactive lecture (2 hrs)Tutorial (2 hrs) | Chalk / BB or Markers / Flip chartsHandouts |
| Elasticity of demand | * Price elasticity of demand (definitions, point & arc elasticity, elastic & inelastic demand, elasticity along a demand curve, price elasticity & total revenue / expenditure)
* Income elasticity & inferior goods
* Cross elasticity of demand for substitutes, complements & independent goods

Computation & interpretation of price, income & cross price elasticity of demand, price elasticity & total revenue / expenditure | Interactive lecture (2 hrs)Tutorial (2 hrs) | Chalk / BB or Markers / Flip chartsHandouts |
| Supply Theory | * Definitions of supply, quantity supplied,
* Equilibrium of a firm & a firm’s supply curve
* Price elasticity of supply
* Supply response relation

Cost curves, determining equilibrium of a firm | Interactive lecture (2 hrs)Tutorial (2 hrs) | Chalk / BB or Markers / Flip chartsHandouts  |
| Price Determination | * Classification of markets
* Price determination under pure competition
* Price determination under monopoly
* Price discrimination

Effect of changes in demand & supply on equilibrium price & quantity, Price determination under monopoly, Price discrimination | Interactive lecture (2 hrs)Tutorial (2 hrs) | Chalk / BB or Markers / Flip chartsHandouts |
| Prices of Agricultural products | * Role of prices
* Characteristics of agricultural prices
* Forces influencing farm prices
 | Interactive lecture (1 hr)Test 1 (1 hr)Tutorial (2 hrs) | Chalk / BB or Markers / Flip chartsPaper |
| Difference between price paid to the farmer and that paid by the consumer (marketing margin)Price differences based on quality | * Definitions
* Factors that cause change in the marketing margin
* Definitions
* Designing a grading system
 | Lecture (2 hrs)Tutorial (2 hrs) | Chalk / BB or Markers / Flip charts |
| Price differences based on qualityPrice differences based on region or location | * Demand for grades
* Supply of grades
* Price differences between grades
* Causes of price differences between location
* Determining prices of a commodity in different locations
* Market boundaries

Determining prices of a commodity in different locations, Market boundaries | Lecture (2 hrs)Tutorial (2 hrs) | Chalk / BB or Markers / Flip chartsHandouts  |
| Price changes that occur through time | * Seasonal variation in prices
* Cyclical behaviour of prices & the cobweb model

Cobweb model | Lecture (2 hrs)Tutorial (2 hrs) | Chalk / BB or Markers / Flip chartsHandouts |
| Changes in the general level of all farm prices | * Variables influencing price level
* Effects of inflation on agriculture
* Measuring changes in the general level of prices

Price indexes, constructing an index, problems in constructing indexes | Lecture (2 hrs)Tutorial (2 hrs) | Chalk / BB or Markers / Flip chartsHandouts |
| The relationship between farm and non-farm prices | * The terms of trade of farm products
 | Lecture (1 hr)Test 2 (1 hr)Tutorial (2 hrs) | Chalk / BB or Markers / Flip chartsPaper |
| Government and Agricultural prices | * Mechanisms for discovering farm prices
* Government interventions in pricing of farm products
 | Lecture (2 hrs)Tutorial (2 hrs) | Chalk / BB or Markers / Flip charts |
| Price analysis and Forecasting | * Definitions
* Importance of price analysis
* Techniques used in price analysis
* Data sources

Model development | Lecture (2 hrs)Tutorial (2 hrs) | Chalk / BB or Markers / Flip chartsHandouts  |
| Price analysis and Forecasting | * Interpreting estimated parameters, standard errors, coefficient of determination
* Appraising of results (tests of logic, statistical tests)

Interpreting estimated parameters, standard errors, coefficient of determination, appraising of results (tests of logic, statistical tests) | Lecture (2 hrs)Tutorial (2 hrs) | Chalk / BB or Markers / Flip chartsHandouts |
| Price analysis and Forecasting | * Specification error and multicollinearity
* Computing and appraising elasticities
* Forecasting from regression equations

Specification error and multicollinearity, computing and appraising elasticities,  | Lecture (2 hrs)Tutorial (2 hrs) | Chalk / BB or Markers / Flip chartsHandouts  |
| Price analysis and Forecasting | * Forecasting from regression equations

Forecasting from regression equations | Lecture (1 hr)Test 3 (1 hr)Tutorial (2 hrs) | Chalk / BB or Markers / Flip chartsPaperHandouts  |
| 16-17  | * Revision Time
* Final Examination
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**9. SUMMARY OF TIME NEEDED**

Lectures 27 hrs

Tutorials 30 hrs

Tests 3 hrs

**10. COURSE ASSESSMENT:**

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| Continuous assessment (Tests): | There will be 3 tests  | 30% |
| Continuous assessment (Group assignment on market information): | Students will write on marketing channels, market participants, types & sources of market information for agricultural products of their choice | 10% |
| University Examination: | Final examination during week 16-17 of the semester | 60% |