

## AGEC 45000 -- COURSE SYLLABUS

**Course:** Agricultural Economics 45000 -- International Agricultural Trade  
Fall, 2016

**Instructor:** Philip Abbott  
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Office Hours: MWF 1:30-4:00pm

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**Class Meeting:** Krannert (KRAN) G16 MWF 10:30-11:20am

### Course Context and Objectives:

There is increasing awareness of the importance of international markets to the performance of the U.S. agricultural sector, reflecting the interdependence of economies in both developed and developing nations. Those markets are changing in a number of dimensions, as well. Agricultural trade is increasingly in processed food and higher value products rather than bulk commodities. Industrialization of agriculture is affecting the specifications of products grown on the farm, and so the determinants of competitiveness of a country's agriculture. Developing countries, and especially the newly industrializing countries of Asia, are emerging as the more important destinations for U.S. agricultural exports. Recent high agricultural commodity prices have brought a new perspective on international agricultural trade, reflecting potential shortages rather than surplus, and reemphasizing trade in grains and oilseeds. Surpluses and low prices may have returned, however.

Trade agreements such as GATT (now the World Trade Organization -- WTO) and NAFTA have in the past set rules for trade, and influenced US farm legislation debates. Environmental issues, food safety regulations, and labor practices are also impacting this new trading environment, and were among the concerns which have led to the failures of the Doha Round of WTO negotiations to meet key deadlines. The future of agricultural negotiations in the WTO, as well as on numerous bilateral trade agreements such as the U.S.-EU Transatlantic Trade and Investment Partnership (TTIP) or the Trans-Pacific Partnership (TPP), is quite uncertain. Events related to these negotiations may significantly impact the writing of any new farm legislation, as the latest bill emphasizing safety nets (crop insurance) is in conflict with our offers in WTO negotiations. As we will see in this course, domestic legislation is as important as trade policy in determining agricultural market and trade outcomes.

The objectives of this course are:

- 1) to expose students to the importance and nature of changing international agricultural markets,
- 2) to explore issues related to determination of agricultural trade patterns and so the fortunes of U.S. farmers in the future,
- 3) to understand the importance of both trade and domestic policies in determining market outcomes,
- 4) to demonstrate the usefulness of economic analysis as a tool for understanding these issues.

Toward these goals, this course will present trade theory and its application to real world problems in agricultural trade.

This course is designed as an elective to serve the needs of students in both the School of Agriculture and in other parts of the University. It meets the international understanding and social science elective requirements of the School of Agriculture core curriculum. Pre-requisites include Microeconomics

(AGEC10000 or AGECE20300 or AGECE200400 or ECON 25100 or equivalent) *and* Macroeconomics (AGEC21700 or ECON25200 or ECON21700 or equivalent).

### Readings:

The text for this course is *International Economics*, 16th edition, by Thomas A. Pugel, McGraw Hill/Irwin, Chicago, 2016. Earlier editions are OK!

Additional resources for the 15<sup>th</sup> edition of this textbook are available at [http://highered.mcgraw-hill.com/sites/0073523178/student\\_view0/index.html#](http://highered.mcgraw-hill.com/sites/0073523178/student_view0/index.html#)

An electronic version of the textbook is available at: <http://shop.mheducation.com/highered/product.M0078021774.html>

Any format (print, electronic, library) is acceptable, based on your preferences – the goal is that you read the text material.

The textbook will be supplemented by numerous additional readings from books, journals and the press. As many readings as possible will be available in pdf format via the class website. Only \*\* (starred) readings are “required”. Other supplementary readings are for those who want to go further into a topic. Topics to be addressed in class and assigned readings will follow the Course Outline, available with links to readings, lecture notes, homework assignments and supporting spreadsheets on the class website.

### Class Website:

The course website home page is accessed by logging onto Blackboard Learn at:

<https://mycourses.purdue.edu/>

A link to AGECE 45000 should appear on your “My Blackboard” if you are registered for this course. Class lecture notes (Power point presentations) will be posted on Blackboard, as well as other resources, including homework assignments, answer keys, old examinations and internet links that are useful to your work in this course. For security and privacy reasons, access to your grades will require that you use Blackboard.

### Examinations and Grading:

Grades for this course will be determined from performance on:

<b>Midterm</b> examination	<b>25%</b>
<b>Final</b> examination	<b>30%</b>
<b>Homework</b> assignments	<b>40%</b>
<b>Class participation</b>	<b>5%</b>

The **midterm** examination will be given on Wednesday, **October 5, 2016** at the regularly scheduled class time. Exams from past years are available on the class website to indicate what to expect on both the midterm and final examinations. Exams will be difficult in order to explore what you have learned, but grades will be curved based on overall class performance and instructor expectations.

The **final** examination will be scheduled during the **week of December 11-17, 2016**. It will be 2 hours in duration and will cover material from the entire course -- it is a comprehensive examination.

### Homework and Attendance:

A variety of different **homework** assignments will be assigned on roughly a bi-weekly basis and will be coordinated with material covered in course lectures. Due dates will be announced as assignments are given and will be indicated on the course schedule. These assignments will include short papers, projections and policy impact calculations using simple economic frameworks. Emphasis is on both implementing analytical methods learned in class and writing to demonstrate an understanding of the implications of the results.

**Late assignments** will be accepted subject to a 10% per day penalty, unless prior arrangements have been made with the instructor. Make-up exams will be given only under exceptional circumstances, and require prior approval of the instructor. Unexcused missing assignments will receive a zero – which has a devastating effect

on your overall grade.

**Class attendance** is expected and necessary for success in this course. Poor attendance will likely lead to lower grades. Given this year's class size, regularly taking attendance on a daily basis is not practical, however. There will be assigned seating and I will establish a seating chart to help in learning your names, and I will be paying attention to who regularly comes to class. A class participation grade will be based in part on the instructor's subjective evaluation of your contribution to class discussions. Students will start with an 85% participation grade. Very poor attendance and late assignments will lower that grade, while contributions in class will raise that grade.

In the event of a major campus emergency, course requirements, deadlines and grading percentages are subject to changes that may be necessitated by a revised semester calendar or other circumstances beyond the instructor's control. Students will be informed via the class website or through the instructor.

I will post course information on the class web page and will send emails to your @purdue.edu account. You are expected to read your @purdue.edu email on a frequent basis.

While students are encouraged to help each other understand course material, homework assignments and exams must be your own individual effort. Plagiarism, cheating on exams and other forms of **academic dishonesty** will not be tolerated. University regulations and policy on academic dishonesty, which will be followed in this course, may be found at:

<https://www.purdue.edu/odos/academic-integrity/>

#### **Course Schedule and Topics -- Outline:**

Topics to be covered, readings, lecture notes, homework assignments and supporting spreadsheets are indicated on, and may be linked from, the course outline which is found on the course website homepage on Blackboard Learn. <https://mycourses.purdue.edu/>

## AGEC 45000 -- COURSE OUTLINE

**Course:** Agricultural Economics 45000 -- International Agricultural Trade  
**Course Outline for Fall, 2016**

**Instructor:** Philip Abbott

<p><b>Class Schedule</b> tentative</p> <p>8/22-24</p> <p>8/26-9/2</p> <p>Sept. 5 is Labor day (no class)</p>	<p><b>Class Logistics and Policies</b></p> <p><b>Why Study International Economics?</b></p> <ul style="list-style-type: none"> <li>• Do borders matter?</li> <li>• Agriculture and trade in the Great Recession</li> <li>• Euro crisis: Greece, PIIGS and Brexit</li> <li>• Currency wars, QE and agriculture</li> </ul> <p><b>Reading:</b></p> <ul style="list-style-type: none"> <li>• **Pugel, Thomas, <i>International Economics</i> 15<sup>th</sup> edition, McGraw Hill Irwin, New York, 2016 (TEXTBOOK), <a href="#">Chapter 1, pp. 1-12.</a></li> <li>• <a href="#">Trostle, R., D. Marti, S. Rosen and P. Wescott</a>, 2011. "Why Have Food Commodity Prices Risen Again?" Outlook Report No. (WRS-1103) 29, ERS, USDA, June 2011. <a href="http://www.ers.usda.gov/media/126752/wrs1103.pdf">http://www.ers.usda.gov/media/126752/wrs1103.pdf</a></li> <li>• <a href="#">Gelhar, Mark and Erik Dohlman</a>, "A Weakening Global Economy Interrupts Agricultural Trade" <i>Amber Waves</i> 7(2), ERS/USDA, June 2009. <a href="http://ers.usda.gov/amber-waves/2009-june/a-weakening-global-economy-interrupts-agricultural-trade.aspx#.U-EbEfldXT0">http://ers.usda.gov/amber-waves/2009-june/a-weakening-global-economy-interrupts-agricultural-trade.aspx#.U-EbEfldXT0</a></li> <li>• ** <a href="#">Economist</a>, "Brexit and the Markets: a Seismic Shock," <i>Economist</i>, June 24, 2016.</li> <li>• ** <a href="#">Irwin, Neil</a>, "Brexit' Is Locking In the Forces That Already Haunt the Global Economy," <i>New York Times</i> June 27, 2016.</li> <li>• ** <a href="#">Kelch, David, Mathew Shane, David Torgerson, Agapi Somwaru</a>, "European "Financial Imbalances: Implications of the Eurozone Sovereign Debt Problem for U.S. Agricultural Exports," Outlook Report WRS-1102, ERS, USDA, May 2011. <a href="http://www.ers.usda.gov/publications/wrs-international-agriculture-and-trade-outlook/wrs1102.aspx">http://www.ers.usda.gov/publications/wrs-international-agriculture-and-trade-outlook/wrs1102.aspx</a></li> <li>• <a href="#">Shore, Sandy</a>, "Economic Debt worries drive down commodity prices," <i>Associated Press</i>, July 23, 2012.</li> <li>• ** <a href="#">OECD</a>, "Agriculture more resilient to global crisis than other sectors," OECD, Paris, June 17, 2009.</li> <li>• ** <a href="#">Henn, Christian and Brad McDonald</a>, "Avoiding Protectionism," <i>Finance and Development</i> 47(1), March 2010, pp. 20-28. <a href="http://www.imf.org/external/pubs/ft/fandd/2010/03/henn.htm">http://www.imf.org/external/pubs/ft/fandd/2010/03/henn.htm</a></li> <li>• ** <a href="#">Economist</a>, "Phoney Currency wars", February 16, 2013. <a href="http://www.economist.com/news/leaders/21571888-world-should-welcome-monetary-assertiveness-japan-and-america-phoney-currency-wars">http://www.economist.com/news/leaders/21571888-world-should-welcome-monetary-assertiveness-japan-and-america-phoney-currency-wars</a></li> <li>• ** <a href="#">Economist</a>, "What is Quantitative easing?" January 29, 2014. <a href="http://www.economist.com/node/21593967">http://www.economist.com/node/21593967</a></li> </ul>
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<p><b>HW1 Due</b> 9/2</p>	<p><b>Review:</b> <a href="#">Course Syllabus</a> <a href="#">Lecture 0 -- Class Logistics</a> See Lecture 1a context below</p> <p><b>Assignment:</b> <a href="#">Homework # 1</a> Protectionism, recession and agricultural trade – due 9/2 HW16_1.xlsx -- Answer key</p>
	<p><b><i>Trade Policy and U.S. Agriculture: An Overview</i></b></p> <p>9/7-9</p> <ul style="list-style-type: none"> <li>• Trade matters to U.S. agriculture             <ol style="list-style-type: none"> <li>1. Market history and current events</li> <li>2. Commodity prices and food crises – 2008, 2011, 2012</li> <li>3. High value (meat) and by-product trade</li> </ol> </li> </ul> <p>9/12</p> <ul style="list-style-type: none"> <li>• Stylized facts about international agricultural markets             <ol style="list-style-type: none"> <li>1. Low Elasticities</li> <li>2. Dietary transition</li> <li>3. Engle’s Law</li> <li>4. Surpluses or Shortages and Malnutrition?</li> <li>5. Self-sufficiency</li> <li>6. Structural Transformation</li> <li>7. Cochrane’s Treadmill</li> </ol> </li> </ul> <p>9/14-16</p> <ul style="list-style-type: none"> <li>• WTO and Trade/Ag Policy             <ol style="list-style-type: none"> <li>1. History and context                 <ol style="list-style-type: none"> <li>1. GATT</li> <li>2. URAA (Uruguay Round Agreement on Agriculture)</li> <li>3. Doha Development Agenda</li> </ol> </li> <li>2. Current events – Is Doha dead?                 <ol style="list-style-type: none"> <li>1. Bali and Nairobi</li> </ol> </li> <li>3. Bilateral Agreements                 <ol style="list-style-type: none"> <li>1. TPP and TTIP</li> <li>2. Fast track authority (TPA)</li> </ol> </li> </ol> </li> <li>• Domestic policy and trade policy             <ol style="list-style-type: none"> <li>1. Policy Biases</li> <li>2. Farm Legislation and trade</li> <li>3. WTO and Domestic Ag Policy</li> </ol> </li> </ul> <p>9/19</p> <p><b>Readings:</b></p> <ul style="list-style-type: none"> <li>• <b>**FAS, USDA</b>, “National Export Initiative: Importance of U.S. Agricultural Exports,” USDA, Washington DC, April 2010.</li> <li>• <b>FAS, USDA</b>, “Growing Markets Around the World for America's Agricultural Productivity,” December 20, 2013.</li> <li>• <b>Mechel S. Paggi, C. Parr Rosson, III, Flynn J. Adcock, and Daniel Hanselka</b>, “National and Regional Impacts of U.S. Agricultural Exports,” Choices 1st Quarter 2011   26(1). <a href="http://www.choicesmagazine.org/magazine/article.php?article=169">http://www.choicesmagazine.org/magazine/article.php?article=169</a></li> <li>• <b>Edmondson, William</b>, “U.S. Agricultural Trade Boosts Overall Economy,” FAU-124, World Agricultural Outlook Board, ERS/USDA, April, 2008. <a href="http://www.ers.usda.gov/publications/fau-us-agricultural-trade-update/fau-124.aspx#.U-EcOvldXT0">http://www.ers.usda.gov/publications/fau-us-agricultural-trade-update/fau-124.aspx#.U-EcOvldXT0</a></li> <li>• <b>Informa Economics</b>, “How Much Do Exports Matter? Evaluating the Economic Contributions of U.S. Grain Exports on State and Congressional District Economies,” Informa Economics IEG, Memphis, April, 2016.</li> <li>• <b>Krugman, Paul</b>, “Grains Gone Wild,” <i>New York Times</i>, April 7, 2008.</li> <li>• <b>**Trostle, Ronald</b>, “Global Agricultural Supply and Demand: Factors Contributing to the Recent</li> </ul>

Increase in Food Commodity Prices,” Outlook report WRS-0801, Economic Research Service, USDA, Washington, DC, July 2008 (revised). <http://www.ers.usda.gov/publications/wrs-international-agriculture-and-trade-outlook/wrs-0801.aspx#.U-EcePldXT0>

- \*\*Flake, Oliver, “For U.S. Corn, Value-Added Exports Outpace Bulk Exports,” International Agricultural trade Report, FAS, USDA, May, 2013. <http://www.fas.usda.gov/data/us-corn-value-added-exports-outpace-bulk-exports>
- [Stephen Castle and Mark Landler](#), “After 7 Years, Talks Collapse on World Trade,” *New York Times*, July 30, 2008.
- \*\*[Peterson, E.W.](#), “Trade Agreements: Impacts of the Uruguay Round and Prospects for the Future,” *Choices* 30(2), 2015. <http://www.choicesmagazine.org/choices-magazine/submitted-articles/trade-agreements-impacts-of-the-uruguay-round-and-prospects-for-the-future>
- WTO, Briefing Notes, Doha Development Agenda, WTO, 2010, “Agriculture: The current negotiations” [http://www.wto.org/english/tratop\\_e/agric\\_e/negoti\\_e.htm](http://www.wto.org/english/tratop_e/agric_e/negoti_e.htm) & “Agriculture: Negotiating modalities” [http://www.wto.org/english/tratop\\_e/dda\\_e/status\\_e/agric\\_e.htm](http://www.wto.org/english/tratop_e/dda_e/status_e/agric_e.htm)
- WTO, Briefing note, 2014: Agriculture negotiations — the bid to ‘harvest’ some ‘low hanging fruit’, Bali, Ministerial, December 2013. [http://www.wto.org/english/thewto\\_e/minist\\_e/mc9\\_e/brief\\_agneg\\_e.htm](http://www.wto.org/english/thewto_e/minist_e/mc9_e/brief_agneg_e.htm)
- \*\* FAS, USDA, U.S. Agriculture Benefits from Trade Agreements, USDA, Washington, DC, April 2015.
- FAS, USDA, The Case for Trade promotion Authority, USDA, Washington, DC, February, 2015.
- [United States International Trade Commission](#) (ITC), “Executive Summary”, *Trans-Pacific Partnership Agreement: Likely Impact on the U.S. Economy and on Specific Industry Sectors*, Investigation Number: TPA-105-001, ITC, Washington DC, May 2016, pp.” 21-42.
- \*\*[ICTSD/Bridges](#), US Presidential Debate on Trade Heats Up Ahead of Party Conventions, *Bridges Weekly* 20(24), June 2016.
- [Josling, Tim and Stefan Tangermann](#), “TTIP and Agriculture: Another Transatlantic Chicken War?” *Choices* 31(1), 2<sup>nd</sup> Quarter 2016.
- \*\*[Bellmann, Christopher and Jonathan Hepburn](#), “Overview” in *Evaluating Nairobi? What does the Outcome mean for Trade in Food and farm Goods?*, Ricardo Meléndez-Ortiz, Jonathan Hepburn, and Christophe Bellmann, eds. International Centre for Trade and Sustainable Development (ICTSD), Geneva, June 2016, pp. 9-18.
- [Josling, Tim](#), “Trade Issues in the 2012 Farm Bill,” *Choices* 2<sup>nd</sup> Quarter 2011 26(2). <http://www.choicesmagazine.org/choices-magazine/policy-issues/trade-issues-in-the-2012-farm-bill>
- [Keeney, Roman](#), “The WTO & U.S. Farm Policy: The Interface of Domestic & International Interests,” EC-749-W, Purdue Extension Service, School of Agriculture, West Lafayette, IN, 2008 [http://www.ces.purdue.edu/extmedia/EC/EC\\_749\\_W\\_WTO\\_and\\_US\\_Policy.pdf](http://www.ces.purdue.edu/extmedia/EC/EC_749_W_WTO_and_US_Policy.pdf)
- \*\*[Vincent Smith](#), “The 2014 Agricultural Act: U.S. Farm Policy in the context of the 1994 Marrakesh Agreement and the Doha Round,” Issue Paper No. 52, International Centre for Trade and Sustainable Development, Geneva, Switzerland. June, 2014. <http://www.ictsd.org/themes/agriculture/research/the-2014-agricultural-act-us-farm-policy-in-the-context-of-the-1994>
- \*\*[Zulauf, C., and D. Orden](#). “2014 Farm Bill and 2015 WTO Doha Round Negotiations.” *farmdoc daily* (5):147, Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, August 13, 2015

**Review:** [Lecture 1a – Context, History and Current Events](#)

[Lecture 1b – Economics and stylized facts](#)

[Lecture 1c – Policy and the WTO](#)

**Web Resources:**

- WTO [www.wto.org](http://www.wto.org)
- ERS, <http://www.ers.usda.gov/topics/international-markets-trade.aspx>
- ICTSD (Bridges on WTO) <http://www.ictsd.org/bridges-news/bridges/overview>
- FAS, USDA – Trade negotiations (TPA, TPP, TTIP) <http://www.fas.usda.gov/topics/trade->

[policy/trade-negotiations](#)

- USTR, Free Trade agreements <https://ustr.gov/trade-agreements/free-trade-agreements>
- Course Web Links [Links.htm](#)

**HW2**  
**Due 9/16**

**Assignments:**

Homework # 2 – Cochrane’s treadmill in an open economy **due 9/16**  
HW16 2.xlsx – Answer key

9/23

***Projections of Asian Food Demand***

- Asia and Malthusian crises
  1. 1973-74 Food crisis (and Oil Crisis)
  2. 1995-97 2nd Food crisis and Asian Financial crisis
  3. Lester Brown’s Predictions
  4. China and India in the 2007-08 crisis

9/26

- Forecasting Methods
- Income Elasticities and the Demographic Transition

9/28

- Chinese and Indian Agricultural Trade Projections

9/30

- Feeding 9 billion people in 2050

**Readings:**

- [Sachs, Jeffrey](#), “Surging Food Prices Mean Global Instability,” *Scientific American*, June 2008. <http://www.scientificamerican.com/article.cfm?id=surging-food-prices&SID=mail&sc=emailfriend>
- [Abbott, Philip, Chris Hurt and Wallace Tyner](#), “What’s Driving Food Prices in 2011?” Issue report, Farm Foundation, Oak Brook, IL, July 2011. <http://www.farmfoundation.org/webcontent/Whats-Driving-Food-Prices-in-2011-1742.aspx?z=85&a=1742>
- \*\*[Brown, L. \*Who Will Feed China?\*](#) W.W. Norton and Co., New York, 1995, Chapter 1.
- \*\*[Paarlberg, R.](#) “[Rice Bowls and Dust Bowls: Africa, not China, Faces a Food Crisis](#),” *Foreign Affairs* 75(3), 1996, pp. 127-32.
- [Zulauf, C.](#) “China, India, the Food Transition, and Future Demand Growth.” *farmdoc daily* (5):122, Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, July 2, 2015. <http://farmdocdaily.illinois.edu/2015/07/china-india-the-food-transition-future-demand.html>
- [Bhalla, G.S., P. Hazell and J. Kerr](#), “Prospects for India’s Cereal Supply and Demand to 2020,” Food, Agriculture and the Environment Discussion Paper 29, IFPRI, Washington, DC, November, 1999. <http://www.ifpri.org/2020/briefs/number63.htm>
- [Anwarul Hoda and Ashok Gulati](#), “India’s Agricultural Trade Policy and Sustainable Development,” Issue Paper No. 49, International Centre for Trade and Sustainable Development, Geneva, Switzerland, September, 2013. <http://www.ictsd.org/themes/agriculture/research/india%E2%80%99s-agricultural-trade-policy-and-sustainable-development>
- \*\*[Bryan Lohmar and Fred Gale](#), “Who Will China Feed?” *Amber Waves* 6(3), ERS, USDA, June 2008. [http://www.ers.usda.gov/amber-waves/2008-june/who-will-china-feed.aspx#.U-Efm\\_ldXTo](http://www.ers.usda.gov/amber-waves/2008-june/who-will-china-feed.aspx#.U-Efm_ldXTo)
- \*\*FAO, “How to Feed the World in 2050,” Executive summary, FAO, Rome, October, 2009. [http://www.fao.org/fileadmin/templates/wsfs/docs/expert\\_paper/How\\_to\\_Feed\\_the\\_World\\_in\\_2050.pdf](http://www.fao.org/fileadmin/templates/wsfs/docs/expert_paper/How_to_Feed_the_World_in_2050.pdf)

**Review:** [Lecture 2a -- Asian demand](#)

[Lecture 2b – Forecasting methods](#)

[Lecture 2c -- Projections](#)

[Lecture 2d – Feeding 9 billion](#)

**Web Resources:**

- IFPRI – China and India <http://www.ifpri.org/publication/dragon-and-elephant>
- FAO, FAOstat database <http://faostat3.fao.org/faostat-gateway/go/to/home/E>

**Assignments:**

Homework # 3 – Forecasting Methods - **due 9/28**

[HW3 examples.xlsx](#)

[HW3 answers.xlsx](#)

<p>HW 3 Due 9/28</p> <p>HW 4 Due 10/3</p>	<p>Homework # 4 – Projecting Indian Food Demand – <b>due 10/3</b> AsiaAg2016.xls Homework 4 will be a group assignment-- see homework for groups</p>
<p>10/5</p> <p>Exam 10/5</p> <p>10/8-11</p>	<p><b><u>Mid Term Exam Review</u></b></p> <p><b>Mid Term Examination – Wednesday, October 5 in class</b></p> <p><b><u>Answer key</u></b></p> <p>October Break</p>
<p>10/12-14</p> <p>-</p> <p>-</p> <p>-</p> <p>-</p> <p>10/17-19</p>	<p><b><i>Supply and Demand in an Open Economy</i></b></p> <ul style="list-style-type: none"> <li>• Closed versus open economy equilibrium</li> <li>• Supply -Utilization tables</li> <li>• Large versus small countries             <ul style="list-style-type: none"> <li>◦ 2 panel and 3 panel diagrams</li> <li>◦ Market power in trade</li> </ul> </li> <li>• Asian demand and exports with high commodity prices             <ul style="list-style-type: none"> <li>◦ Chinese market power in trade</li> <li>◦ Biofuels demand and exports</li> <li>◦ Drought, RFS mandates and trade</li> </ul> </li> </ul> <p><b>Readings:</b></p> <ul style="list-style-type: none"> <li>• **Pugel (TEXTBOOK), Chapter 2, pp. 15-32.</li> <li>• <a href="#">Baker, A. and S. Zanhiser</a>, “Ethanol Reshapes the Corn Market”, <i>Amber Waves</i>, ERS, USDA, 4(2), April 2006, updated May 2007. <a href="http://www.ers.usda.gov/amber-waves/2006-april/ethanol-reshapes-the-corn-market.aspx#.U-EhUvldXTo">http://www.ers.usda.gov/amber-waves/2006-april/ethanol-reshapes-the-corn-market.aspx#.U-EhUvldXTo</a></li> <li>• <a href="#">FAS, USDA</a>, “U.S. on Track to become World’s Largest Ethanol Exporter in 2011,” IATR Newsroom, FAS, USDA, July 2011.</li> <li>• **<a href="#">Abbott, Philip, Chris Hurt and Wallace Tyner</a>, “What’s Driving Food Prices?” Issue report, Farm Foundation, Oak Brook, IL, July 2008. <a href="http://www.farmfoundation.org/news/templates/template.aspx?articleid=404&amp;zoneid=26">http://www.farmfoundation.org/news/templates/template.aspx?articleid=404&amp;zoneid=26</a></li> <li>• <a href="#">Irwin, Scott and Darrell Good</a>, “Brazilian Ethanol Imports - Implications for U.S. Ethanol and Corn Demand” <i>Farmdoc</i>, University of Illinois, May 2, 2013. <a href="http://farmdocdaily.illinois.edu/2013/05/brazilian-ethanol-implications.html">http://farmdocdaily.illinois.edu/2013/05/brazilian-ethanol-implications.html</a></li> <li>• <a href="#">Seth Meyer and Rob Johansen</a>, Proposed Rules for 2014 RFS - A Volume of Uncertainty, <i>Farmdoc</i>, University of Illinois, November 20, 2013. <a href="http://farmdocdaily.illinois.edu/2013/11/proposed-rules-2014-rfs.html">http://farmdocdaily.illinois.edu/2013/11/proposed-rules-2014-rfs.html</a></li> </ul> <p><b>Review:</b> <a href="#">Lecture 3a -- Open Economy</a> <a href="#">Lecture 3b – High Commodity prices</a> <a href="#">Open.xls</a></p> <p><b>Web Resource:</b> Pugel (TEXTBOOK) <a href="http://highered.mcgraw-hill.com/sites/0073523178/student_view0/index.html#">http://highered.mcgraw-hill.com/sites/0073523178/student_view0/index.html#</a></p> <p>-</p> <p><b>Assignment:</b></p>





- Weak dollar and agricultural trade
- Chinese exchange rate overvaluation
- High commodity prices and exchange rates
- Currency Wars and Euro crisis revisited

**Readings:**

- \*\*Pugel (TEXTBOOK), Chapters 17 and 19, pp. 399-414, 443-473.
- [Shane, Matthew and William Leifert](#), “Weaker dollar strengthens U.S. agriculture,” *Amber Waves*, ERS, USDAS, February 2007. <http://www.ers.usda.gov/amber-waves/2007-february/weaker-dollar-strengthens-us-agriculture.aspx#.U-l--ldXTo>
- [John B. Taylor](#), “China’s Exchange Rate Regime and its Effects on the U.S. Economy,” Under Secretary of Treasury for International Affairs Testimony before the Subcommittee on Domestic and International Monetary Policy, Trade, and Technology House Committee on Financial Services October 1, 2003
- [Gale, Fred and Francis Tuan](#), “China Currency Appreciation Could Boost U.S. Agricultural Exports,” WRS-0703, ERS/USDA, Washington DC, August 2007. <http://www.ers.usda.gov/publications/wrs-international-agriculture-and-trade-outlook/wrs-0703.aspx#.U-EiQfldXTo>
- [Joseph A. Massey and Lee M. Sands](#), “The Yen’s Lesson for the Yuan,” NY Times August 23, 2010.

**Review:** [Lecture 5a – Exchange rates and policy](#)  
[Lecture 5b - Exchange rates and Ag](#)

**Web resources:**

- USDA/ERS Macroeconomics <http://www.ers.usda.gov/topics/international-markets-trade/macro-economics-agriculture.aspx>
- International Monetary Fund [www.imf.org](http://www.imf.org)
- World Bank [www.worldbank.org](http://www.worldbank.org)
- Penn World Table (PPP) [http://pwt.econ.upenn.edu/php\\_site/pwt\\_index.php](http://pwt.econ.upenn.edu/php_site/pwt_index.php)

***Welfare in Partial Equilibrium***

11/4-7

- Welfare in partial equilibrium
  - Producer surplus
  - Consumer surplus
  - Government revenue
  - Net welfare and Gains from trade
  - Welfare in 2 and 3 panel diagrams

11/9

- World Bank Projections of Gains from Doha

**Reading:**

- \*\*Pugel (TEXTBOOK), Chapter 2, pp. 15-32.
- \*\*[World Bank](#), *Global Economic Prospects 2002: Making Trade Work for the World's Poor*, Washington DC, 2002. Chapter 6: “Envisioning Alternative Futures: Reshaping Global Trade Architecture for Development” <http://siteresources.worldbank.org/INTGEP2002/Resources/06--Ch6-152-186.pdf>
- [Ackerman, Frank](#), “The Shrinking Gains from Trade: Analysis of Current Doha Round Projections,” Global Development and Environment Institute at Tufts University, Medford, MA, 2005. [http://ase.tufts.edu/gdae/policy\\_research/shrinking\\_gains.html](http://ase.tufts.edu/gdae/policy_research/shrinking_gains.html)
- [Piermartini, Roberta and Robert Teh](#), “Demystifying Modeling Methods for Trade Policy,” WTO Discussion paper no. 10, WTO, Geneva, 2005. [http://www.wto.org/english/res\\_e/publications\\_e/disc\\_paper10\\_e.htm](http://www.wto.org/english/res_e/publications_e/disc_paper10_e.htm)

**Review:** [Lecture 6a – Welfare](#)  
[Lecture 6b – World Bank and Doha](#)  
[Open.xls](#)

**Web Resource:**

- World Bank, “WTOs Doha Development Agenda” <http://go.worldbank.org/V41UF09PW0>

**Assignment:**

Homework # 7 – Gains from Trade – due 11/11  
 Answers to Homework 7

<p>HW 7 Due 11/11</p>	<p>Open beef16.xls</p>
<p>11/11 11/14-16 11/18</p> <p>HW8 Due 11/21</p>	<p><b>Basics of Trade Policy – Tariffs and Quotas</b></p> <ul style="list-style-type: none"> <li>• Ad valorem and specific tariffs – Price effects             <ul style="list-style-type: none"> <li>◦ Market effects of tariffs</li> <li>◦ Welfare effects of tariffs</li> </ul> </li> <li>• Quotas             <ul style="list-style-type: none"> <li>◦ Market Effects – tariff equivalents</li> <li>◦ Welfare effects – and quota rents</li> </ul> </li> <li>• Why trade barriers exist</li> <li>• Optimal tariffs</li> <li>• Tariff Rate Quotas (TRQs)</li> </ul> <p><b>Readings:</b></p> <ul style="list-style-type: none"> <li>• **Pugel (TEXTBOOK), Chapter 8, 9, 10 pp. 143-228.</li> <li>• **<a href="#">Gibson, Paul, John Wainio, Daniel Whitley, and Mary Bohman</a>, “Profiles of Tariffs in Global Agricultural Markets,” Agricultural Economic Report No. (aer796), ERS, USDA, January 2001. <a href="http://www.ers.usda.gov/publications/aer-agricultural-economic-report/aer796.aspx#.U-Ei8PldXTo">http://www.ers.usda.gov/publications/aer-agricultural-economic-report/aer796.aspx#.U-Ei8PldXTo</a></li> <li>• <a href="#">Anne Effland, Mary Anne Normile, and John Wainio</a>, “Global Agriculture and the Doha Round: Market Access Is the Key,” <i>Amber Waves</i> 4(4) September 2006, 22-27. <a href="http://www.ers.usda.gov/amber-waves/2006-september/global-agriculture-and-the-doha-round%E2%80%94market-access-is-the-key.aspx#.U-EjMPldXTo">http://www.ers.usda.gov/amber-waves/2006-september/global-agriculture-and-the-doha-round%E2%80%94market-access-is-the-key.aspx#.U-EjMPldXTo</a></li> </ul> <p><b>Review:</b> <a href="#">Lecture 7a -- Tariffs</a>  <a href="#">Lecture 7b – Quotas</a>  <a href="#">Lecture 7c - Protection</a>  <a href="#">Lecture 7d – Import models</a>  <a href="#">Tariff.xls</a>  <a href="#">Quota.xls</a></p> <p><b>Web Resource:</b></p> <ul style="list-style-type: none"> <li>• ERS, USDA <a href="http://www.ers.usda.gov/topics/international-markets-trade/trade-policy.aspx">http://www.ers.usda.gov/topics/international-markets-trade/trade-policy.aspx</a></li> <li>• WTO Tariff data <a href="http://www.wto.org/english/tratop_e/tariffs_e/tariff_data_e.htm">http://www.wto.org/english/tratop_e/tariffs_e/tariff_data_e.htm</a></li> </ul> <p><b>Assignment:</b>          Homework #8 Tariffs and Quotas – due 11/21          Maroc 16.xls          Maroc16 ANS.xls          Question 2</p>
<p>11/23-27</p>	<p><b>Thanksgiving Vacation</b></p>
<p>11/28-30</p>	<p><b>Export policy</b></p> <ul style="list-style-type: none"> <li>• Export taxes             <ul style="list-style-type: none"> <li>◦ Market and welfare impacts</li> <li>◦ Optimal export taxes</li> <li>◦ Commodity exporters – Cote d’Ivoire and cocoa</li> </ul> </li> <li>• Export subsidies             <ul style="list-style-type: none"> <li>◦ Market and welfare impacts</li> </ul> </li> </ul>

12/2

- Optimal subsidies
- Targeting subsidies
- Export restrictions
  - Why export bans and taxes?
  - Argentina and Rice in 2008
- Implicit subsidies
  - WTO Subsidies Code and the Peace Clause
  - Brazil-U.S. Cotton Dispute

**Readings:**

- \*\*Pugel (TEXTBOOK), Chapter 11, pp. 229-258.
- \*\*[Siddhartha Mitra and Tim Josling](#), Agricultural Export Restrictions: Welfare Implications and Trade Disciplines, IPC Position Paper, Agricultural and Rural Development Policy Series, International Food & Agricultural Trade Policy Council, January 2009. [http://ictsd.net/downloads/2009/02/exportrestrictions\\_final.pdf](http://ictsd.net/downloads/2009/02/exportrestrictions_final.pdf)
- [Nogues, Julio](#), “The Domestic Impact of Export Restrictions: The Case of Argentina,” IPC Position Paper, International Food & Agricultural Trade Policy Council, July 2008. <http://www.agritrade.org/documents/ArgentineExportRestrictions.pdf>
- [Timmer, Peter](#), “Causes of High Food Prices.” ADB Economics Working Paper Series 128. Manila, Asian Development Bank, 2008 (the Rice Difference, pages 15-18).
- [Oxfam](#), “Dumping: the beginning of the end? Implications of the ruling in the Brazil/US Cotton Dispute,” Briefing paper #64, June 2004
- [“Brazil, US Strike ‘Framework’ Deal in Cotton Dispute”](#) Bridges Weekly Trade News Digest 14(23), June 23, 2010
- \*\*[Townsend, T.](#), “The 2014 U.S. Farm Bill and Cotton: Proof that the WTO Matters,” *Choices* 30(2), 2015. <http://www.choicesmagazine.org/choices-magazine/submitted-articles/the-2014-us-farm-bill-and-cotton-proof-that-the-wto-matters>

**Review:** [Lecture 8a – Exports](#)

[Lecture 8b – Export policy in practice](#)

[Extax.xlsx](#)

[Exsub.xls](#)

[ExsubLc.xls](#)

**Assignment:**

Homework # 9 Export subsidies – due 12/5

USexsub16.xls

USexsub16Ans.xls

HW9  
Due 12/5

12/5-7

***Domestic Policy and Trade***

- Trade impacts of domestic policy
  1. Producer and consumer subsidies
  2. Complementing domestic policies
- Externalities
  1. Trade and the Environment
  2. Climate change and tariffs
- Theory of 2<sup>nd</sup> best
- Agricultural policy and trade

**Readings:**

- \*\*Pugel (TEXTBOOK), Chapter 13, pp. 283-316
- \*\*[Thompson](#), Robert, “The US Farm Bill and the Doha Negotiations: On Parallel Tracks or a Collision Course?” IPC Issue Brief, International Food and Agricultural Trade Policy Council, Washington DC, September 2005. <http://www.agritrade.org/Publications/IBs/329701.pdf>

- \*\*“[Krugman, Paul](#), “Climate, Trade, Obama,” New York Times, June 29, 2009. <http://krugman.blogs.nytimes.com/2009/06/29/climate-trade-obama/?emc=eta1>
- [Leigh Raymond and Gerald Shively](#), “A Primer on Market-Based Approaches to CO2 Emissions Reductions,” Policy Brief PB0701, Purdue Climate Change Research Center, West Lafayette, September, 2007.
- [Korhonen, Jorma](#), “It’s Time to Act on Climate Change,” Bridges Monthly 14(2) April 2010, pp. 19-22.
- [Teehankee, Manuel A. J., Ingrid Jegou, Rafael Jacques Rodrigues](#), “Multilateral Negotiations at the Intersection of Trade and Climate Change,” Issue Paper No. 2, ICTSD Global Platform on Climate Change, Trade and Sustainable Energy, Geneva, May 2012. <http://ictsd.org/i/publications/133348/>

**Review:** [Lecture 9 -- Domestic Policy](#)

**Web Resource:**

- ERS, USDA <http://www.ers.usda.gov/topics/natural-resources-environment/climate-change.aspx>
- IFPRI <http://www.ifpri.org/themes/climatechange/climatechange.asp>
- ICTSD (Bridges) <http://www.ictsd.org/themes/climate-and-energy/overview>

**Assignment:**

Homework # 10 Domestic policy *not assigned*

12/9

**[Final Exam review session](#)**

Final exam:  
12/??

**Final Exam** week December 12-17, 2015

Final Exam is ??

***Trade Agreements, Trade Disputes – Applying economic principles***

- WTO revisited
- Free Trade and 2<sup>nd</sup> best
- Decoupling and domestic policies
- Infant industries and special and differential treatment
- Food aid as an export subsidy
- Trade creation and trade diversion
  - Regional and Bilateral trade agreements
- Stumbling blocs or building blocs – Bilateral versus multilateral negotiations
- Preferential trade arrangements – Capacity constraints or rules of origin?
- Tariff Rate Quotas
- Dispute Settlement –
  - US Cotton and EU Sugar
  - Canada and Brazil on US agricultural policy
- Anti-dumping - Vietnamese shrimp and catfish
- Trade and Development -- WTO Impacts
  - CGE model predictions
  - Trade and growth regressions
  - FDI and Multinationals
  - Services trade, Legal reform and NTBs

**Readings:**

- Pugel (TEXTBOOK), Chapter 12, pp. 259-281
- Additional References in notes (Lecture 10) on specific issues

**Review:** Lecture 10 -- Applying principles

**Web Resources:**

- WTO – Doha [http://www.wto.org/english/tratop\\_e/dda\\_e/dda\\_e.htm](http://www.wto.org/english/tratop_e/dda_e/dda_e.htm)
- URAA [http://www.wto.org/english/thewto\\_e/whatis\\_e/tif\\_e/agrm3\\_e.htm](http://www.wto.org/english/thewto_e/whatis_e/tif_e/agrm3_e.htm)
- FAS, USDA <http://www.fas.usda.gov/topics/trade-policy/trade-agreements>

***Regulation and NTBs (Non-tariff trade barriers)***

- Food safety
  - Disguised protection?
  - EU Beef Hormone Dispute
  - Trading GMOs
- Environmental policy
- Labor
- WTO SPS and TBT Agreements

**Readings:**

- Pugel (TEXTBOOK), Chapter 9, pp. 165-197.
- [Ames, Glenn](#), “Banana’s, Beef and Biotechnology: Three Contentious U.S.-EU Trade Disputes,” *Review of Agricultural Economics* 23(1): 214-22.
- [Peterson, P.](#) “Will Cooler Heads Prevail?” *Farmdoc daily* (5):118, Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, June 25, 2015. <http://farmdocdaily.illinois.edu/2015/06/will-cooler-heads-prevail.html>

**Review:** Lecture 11 – Regulation

**Web Resource:**

- FAS, USDA <http://www.fas.usda.gov/itp/biotech/issues.asp>

***Macroeconomic linkages to agriculture***

- Business cycles and stabilization policy
  - Money neutrality and agricultural prices
- Exchange rates and macroeconomics

**Readings:**

- Abbott, Philip and Alex McCalla, “[Agriculture in the Macro economy: Theory and Measurement](#),” *Handbook of Agricultural Economics: Agriculture and Its External Linkages*, B.L. Gardner and G. Rausser, eds. Elsevier Science, Amsterdam, Vol. 2a, 2002 (Excerpt, pages 1659-1669 - pages 1-15 in file).
- Schiff, M. and A. Valdes, “[Agriculture and the Macro economy, with Emphasis on Developing Countries](#),” *Handbook of Agricultural Economics: Agriculture and Its External Linkages*, B.L. Gardner and G. Rausser, eds. Elsevier Science, Amsterdam, Vol. 2a, 2002, pp. 1421-1454
- [Langley, S.](#) “Agricultural Trade and the 1997-99 International Financial Crises,” *Agricultural Outlook*, ERS, USDA, January-February 2000.
- Mathew Shane, William Liefert, Mitch Morehart, May Peters, John Dillard, David Torgerson, and William Edmondson, “The 2008/2009 World Economic Crisis What It Means for U.S. Agriculture,” *Ag Outlook Report WRS-09-02*, ERS, USDA, March 2009. [http://www.ers.usda.gov/publications/wrs-international-agriculture-and-trade-outlook/wrs-09-02.aspx#.U-EIG\\_1dXTo](http://www.ers.usda.gov/publications/wrs-international-agriculture-and-trade-outlook/wrs-09-02.aspx#.U-EIG_1dXTo)

**Review:** Lecture 12 -- Ag and Macro

