



AECN 325 Marketing of Agricultural Commodities
Department of Agricultural Economics
College of Agricultural Sciences and Natural Resources
University of Nebraska-Lincoln
Fall 2009

Time: 11:00-12:15 pm, Tues & Thurs
Location: 199 Plant Science, East Campus

Prerequisite: AECN 141 or ECON 212
Cross-Listed: MRKT 325

	Instructor	Teaching Assistants		Secretary
Name	Dr. Darrell R. Mark	Mr. Kyle Fuehrer	Mr. Luke Beckman	Mrs. Sandy Sterkel
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Office Hours	1:00-2:30 pm Tues & Thurs, & by appt. (call secretary for an appt or stop by anytime)	by appointment	by appointment	8:00-5:00 Monday-Friday
Website	agecon.unl.edu/mark			

Course Materials on Blackboard: <http://my.unl.edu>
Class Website: <http://agecon.unl.edu/mark/aecn325.html>

Objectives:

This course is designed to introduce students to the purpose, operation, and use of agricultural commodity markets and how to select and use various market contracts for price risk management. Specific objectives are to:

- Understand the purpose and function of commodity market institutions
- Understand how commodity prices are discovered through fundamental supply and demand conditions
- Understand cash commodity markets and how and when to use cash contracts
- Understand why futures exchanges and commodity futures contracts exist and how and when futures and futures options are used
- Understand basis and its importance in hedging
- Understand hedging with futures and options
- Evaluate risk management strategies and develop marketing plans

Materials:

Text & Trading Simulation

A book of required readings, notes, and other materials related to the lecture topics is available for purchase through the instructor. The text for the class can be purchased from Mrs. Sandy Sterkel in 303 H.C. Filley Hall during the first two weeks of class for \$20.00 (tax included). After September 7, 2009, the cost will increase to \$25.00. Cash and checks are accepted, but not NCards.

A web-based futures trading simulation will be used to learn the mechanics of futures market trading and understand how fundamental supply and demand information affect commodity prices. All students are required to participate in this simulation. The simulation will start in mid-September. More details regarding the trading simulation will be provided in class. The cost of the trading simulation is \$30 per student (payment details will be provided in class), but a portion of the cost will be paid through the generous support of several corporate sponsors.

Market Information

One of the best ways to learn about the agricultural commodity markets is to follow commodity prices on a regular basis and understand the factors that cause prices to go up and down. Therefore, students in AECN 325 are expected to actively follow the grain, oilseed, livestock, and energy markets that are relevant to Nebraska producers and agribusinesses. This will complement the trading simulation and class discussion. Most class meetings will include consideration of current market news and how fundamental factors are affecting market prices.

“Mark’s Marketing” website (<http://agecon.unl.edu/mark/>) provides links to cash prices in Nebraska and surrounding states as well as futures and options quotes from the major commodity futures exchanges. Links to other useful newsletters, reports, and data supplied by various university, government, and business market news providers and analysts can also be found on the website. Additionally, the DTN/FarmDayta monitor located in the Animal Science Building serves as an excellent source for market information.

In addition to following the agricultural commodity markets through the above sources, students are expected to read or watch the following each week:

- ❑ *Market-to-Market*, <http://www.iptv.org/mtom> (Podcast available); Saturdays at 6:30 am and Sundays at 11:00 am on NET1; and Sundays at 9:30 am on NET2.
- ❑ *Market Journal*, broadcast and podcast on <http://marketjournal.unl.edu> (Podcast available); Fridays at 12:30 pm CT, Sundays at 9:30 pm CT, and Wednesdays at 8:30 am CT on DishNetwork 9411; Saturdays at 7:00 am CT on NET1; and Sundays at 9:00 am CT on NET2.
- ❑ Frequent E-mails from the instructor on market news and analysis.

Study Opportunity Sessions (S.O.S.)

Study Opportunity Sessions, led by the teaching assistants, will be held once or twice weekly throughout the semester as needed (times to be announced). The purpose of S.O.S. is to provide informal time to ask questions one-on-one or in small groups about course content, homework, quizzes, and exams. The format will be strictly question and answer initiated by the students. There will not be new material presented in S.O.S., but rather time will be spent reviewing and clarifying topics previously covered in class. Therefore, attendance is optional, but highly encouraged if you need additional assistance with particular topic(s) in class.

Evaluation:

An average course score will be determined using a weighted average of the following:

Homework	21%	Exam 1	18%
Reading Assessments	10%	Exam 2	18%
Quizzes	15%	Final Exam	18%

Letter grades will be assigned to the average course score according to the following schedule:

<u>Average Course Score</u>	<u>Course Grade</u>	<u>Average Course Score</u>	<u>Course Grade</u>
98-100	A+	77-79	C+
93-97	A	73-76	C
90-92	A-	70-72	C-
87-89	B+	67-69	D+
83-86	B	63-66	D
80-82	B-	60-62	D-
		0-59	F

Students electing to take this course Pass/No Pass will be expected to perform satisfactorily, attend class regularly, and earn an average course score of 73% or better to receive a Pass grade for the course.

Homework

Regular homework will be assigned to provide practice in solving problems related to the course material. Homework assignments will often require use of word processing and spreadsheet software, Internet, and/or E-mail. Assignments will be posted in MS Word format on Blackboard. Students are expected to: 1) download the homework assignment, 2) type their answers in the file (leaving the questions in the file as well), and 3) print the completed assignment to hand in on the due date. Homework assignments are **required to be typed** or completed on computer, unless otherwise noted (**failure to do so will result in zero points awarded**). Print homework assignments on a high quality printer with dark ink so that they are easily read (if you make use of color in text or graphs, be sure to print in color). Students not attending class on the homework's due date (for any reason) are required to submit their homework no later than 9:00 am on the homework's due date. In this case, assignments must be submitted by E-mail, fax, or hardcopy delivered directly to the instructor, teaching assistants, or secretary in 303 H.C. Filley. Scores on any assignment turned in up to 24 hours late will be reduced by 25%. Homework assignments more than one day late will not receive credit.

Reading Assessments

Several reading assessments will be given online through Blackboard. The reading assessments will generally focus on the assigned reading material and emails and will generally be given prior to discussing the topics in class. These reading assessments consisting of five to ten questions will be mainly in the form of multiple choice, true/false, and other objective type questions. Because these assessments are conducted outside of class, all assessments will be included in the grade calculation (none will be dropped). Additionally, because the Internet is available everywhere, online reading assessments can be completed during off-campus travel, so

no make-up assessments are needed or provided if a student is absent from class. Reading assessments will be announced in class and on the announcements page in Blackboard. Students will generally have one week to complete the assessments. The reading assessments are an individual activity and students are expected to complete them without assistance from other students.

Because the assessments are designed to test students' initial comprehension of the assigned reading materials, only ONE attempt to take the assessment is allowed. Further, once the reading assessment is accessed and launched, it must be completed at that time (you may not return to it later). The reading assessment must be completed within 20 minutes. Students should be certain to have adequate time and Internet connectivity *before* accessing the reading assessments.

Quizzes

Several short (15 minute) in-class quizzes will be given. Quiz dates may be announced or unannounced. The lowest two quiz scores will be dropped prior to calculation of the final score. Because two quiz scores are dropped, NO make-up quizzes are necessary or provided if a student misses a quiz for *any* reason (including University sanctioned events). No quizzes will be given outside the regular class time for *any* reason.

Exams

Two (2) midterm exams and one final exam will be given. The cumulative nature of the course content requires that each exam be cumulative; however, each exam will emphasize the material most recently covered in class. No exams will be given outside the regular class time for *any* reason. If a midterm exam will be missed due to a planned absence (e.g., university sponsored trip) and documentation of the absence is provided to the instructor at least one week before the midterm exam, the weight of the final exam will become an additional 18% of the final grade to make up for the missed midterm exam. Thus, NO make-up midterm exam will be given. Failure to provide documentation of a scheduled absence at least one week prior to the exam date or an absence for any other reason will result in a score of zero on the missed midterm exam. In either of these cases, NO make-up midterm exam will be given, nor will the weight of the final exam score be increased to make up for the missed midterm exam. All students are required to take the final exam at the time scheduled by the University. The exam dates are as follows:

Exam 1	Thursday, October 1, 2009
Exam 2	Thursday, November 5, 2009
Final Exam	10:00 am - 12:00 noon, Monday, December 14, 2009

Grading Policy

Graded homeworks, quizzes, and exams will generally be returned within one or two class meetings. If a student is concerned about grading accuracy, the student may resubmit the assignment or exam and a *written* request and explanation to regrade the assignment within one week after the assignment is returned to the student. The instructor will regrade the assignment or exam and return it to the student with the final score and an explanation. Any regrade may include the entire assignment or exam and could result in a higher or lower grade.

Attendance

Regular attendance is expected and encouraged. As in any class, there tends to be a direct correlation between attendance and academic performance. Students are responsible for

knowing the material presented during the class meetings, including the class discussions and responses to questions raised in class, even in the event of an absence. Any student who cannot attend a class meeting is expected to obtain the handouts, assignments, and slides from Blackboard and obtain notes from fellow classmates. Students who must be absent from a class are strongly encourage to attend the S.O.S. session to review material covered in class.

Bonus Points

Occasionally, opportunities to earn “bonus points” will be offered. These opportunities may include attending an off-campus extension conference, participating in a University or community event, attending a study session or other extra class meeting, or attending a regularly scheduled class meeting. Any such bonus points earned will be added to the points earned on the final exam.

Important Notices

- Academic dishonesty is a serious offense and may be punished by failure on the exam, paper, or project, and/or failure in the course. For more information, refer to the academic honesty policy in Section 4.2 of the Student Code of Conduct in the 2009-10 Undergraduate Bulletin.
- Students with disabilities are encouraged to contact the instructor for a confidential discussion of their individual needs for academic accommodation. It is the policy of the University of Nebraska–Lincoln to provide flexible and individualized accommodation to students with documented disabilities that may affect their ability to fully participate in course activities or to meet course requirements. To receive accommodation services, students must be registered with the Services for Students with Disabilities (SSD) office, 132 Canfield Administration, 472-3787 voice or TTY.
- Copyright 2009, by Darrell R. Mark, as to this syllabus, all lectures, and course materials. Students are prohibited from selling (or being paid for taking) notes during this course to or by any person or commercial firm without the express written permission of the instructor.

AECN 325 Tentative Course Outline – Fall 2009

DATE	TOPIC
Tues, Aug 25	Course Introduction, Syllabus, Student Survey, Locating Market Information & Prices, Reading Bar Charts
Thurs, Aug 27	Market Efficiency; Fundamental Analysis; Crop Progress & Condition Reports
Tues, Sept 1	Fundamental Analysis; WASDE Reports
Thurs, Sept 3	Cash Markets: Spot Sales & Cash Forward Contracts
Tues, Sept 8	Cash Markets: Delayed Price Contracts, Basis Contracts
Thurs, Sept 10	Futures Markets: Introduction to Futures Markets
Tues, Sept 15	Futures Markets: Terminology & Mechanics, Trading WASDE Report (Sept 11)
Thurs, Sept 17	Futures Markets: Contract Value, Profit/Loss Graphs, Margin Accounting
Tues, Sept 22	Futures Markets: Margin Accounting Cattle on Feed Report (Sept 18)
Thurs, Sept 24	Futures Markets: Market Orders FACTSim Trading Introduction
Tues, Sept 29	Futures Markets: Delivery, Convergence Principle Hogs & Pigs Report (Sept 25)
Thurs, Oct 1	EXAM 1
Tues, Oct 6	Basis: Definition, Determinants, Calculation
Thurs, Oct 8	Basis: Seasonality, Forecasting
Tues, Oct 13	Introduction to Hedging
Thurs, Oct 15	Short Hedging With Futures

AECN 325 Tentative Course Outline – Fall 2009, continued

Tues, Oct 20	NO CLASS (Fall Break)
Thurs, Oct 22	Short Hedging With Futures Storage Hedging
Tues, Oct 27	Long Hedging With Futures
Thurs, Oct 29	Long Hedging With Futures
Tues, Nov 3	Risk Avoidance Hedging – Trading the Basis
Thurs, Nov 5	EXAM 2
Tues, Nov 10	Options: Definitions, Mechanics
Thurs, Nov 12	Options: Mechanics & Determinants of Premiums
Tues, Nov 17	Hedging With Options: Establishing a Minimum Sale Price
Thurs, Nov 19	Hedging With Options: Establishing a Minimum Sale Price
Tues, Nov 24	Hedging With Options: Establishing a Maximum Purchase Price
Thurs, Nov 26	NO CLASS (Thanksgiving Break)
Tues, Dec 1	Hedging With Options: Creating a Fence
Thurs, Dec 3	Minimum Price Contracts Minimum/Maximum Price Contracts
Tues, Dec 8	FACTSim Wrap-up
Thurs, Dec 10	Evaluating the Choices
Mon, Dec 14	FINAL EXAM from 10:00 am - 12:00 noon 199 Plant Science