

**AGEC 3203 Agricultural Commodity Marketing and Risk Management
Spring 2018 COURSE SYLLABUS**

Credit Hours: Three

Department of Agricultural Economics and Agribusiness
Louisiana State University and A&M College

1:30-2:50 T TH Room 204 WOODIN HALL

Instructor: Don Ator
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Course Description: Description and analysis of agricultural and interdependent commodity markets within the food and fiber systems of domestic and international markets; enhancing understanding of market structure and risk management on farms and in agribusiness through a simulated futures trading experience where quantitative and qualitative methods are used to manage risk in commodity portfolios.

Course Objectives:

- Develop a conceptual framework for understanding the marketing of agricultural products problem
- Become familiar with intricate relationships between prices and marketing costs of agricultural products
- Develop an understanding of the fundamental basics of investing in futures and options by not only learning the underlying concepts but by actually using individual student judgement to make simulated real time market investments to experience how the process works

Textbooks:

Text 1: Marketing of Agricultural Products (9th Ed.), Richard L. Kohls and Joseph N. Uhl

Text 2: Investing in Futures & Options Markets, Lowell B. Catlett & James D. Libbin

Simulation Program:

Futures and options trading activities will be simulated using FACTSim. FACTSim is a commodity trading simulator that allows users to buy and sell commodity, financial, and energy futures and options contracts using real-time quotes from the commodity exchanges. FACTSim performs the brokerage functions a typical trader would deal with if trading these commodities in the real world. The subscription to FACTSim cost \$40 payable through PayPal. Instructions for accessing FACTSim are included on Moodle and enrollment should be accomplished not later than March 22, 2018.

Student Responsibilities:

- Class attendance is required to achieve course objectives.
- Students are responsible for following the Code of Student Conduct regarding academic misconduct. Students suspected of acts of cheating and/or plagiarism will be reported to the Dean of Students.
- Do not leave during class unless you have cleared this with the instructor ahead of time. Please arrive on time and prepared.

- Cell phones must be turned off at all times during class. All electronic devices including pagers, instant messaging, sms messaging, and other e-mail/text related devices must be turned off and stowed during exams. Laptops will be required to be turned off and closed if their use is disruptive.
- Information for the course (including the syllabus, pop quiz scores, and exam scores) will be posted on Moodle.
- Students are expected to meet all announced deadlines for assignments. Dates for exams in the syllabus are tentative and subject to change. Announcements regarding dates for exams will be made in class and take precedence over any dates from prior information.

Student Performance Evaluation

Course grade based on the following:

There will be **four scoring opportunities each worth 25 percent each** that determine your grade for this course.

1. **Exam 1** on Chapters 1, 2, and 3 in the Marketing of Agricultural Products text is scheduled **February 8, 2018**.
2. **Exam 2** on Chapters 8, 9, 10, and 11 in the Marketing of Agricultural Products text is scheduled **March 20, 2018**.
3. **Five in-class quizzes and five in class presentations** of your futures and options trading activities.
4. **Final Exam** on Chapters 1, 2, 3, 4, 5, 6, 7, 11, 12 and 13 in the Investing in Futures & Options Markets text is scheduled **Monday, April 30th 3:00 – 5:00 PM**.

Following university policy this course will use plus/minus grading. The letter grades A, B, C, and D will have the suffix plus (+) or minus (-) included to distinguish higher and lower performances within each of these letter grades. The letter grade F does not include the plus/minus distinction.

The following table shows a hypothetical example for performance scores, grade assigned, and quality points earned per credit hour for the letter grade “C” without (left) and with (right) use of plus/minus suffixes.

Without Plus/Minus			With Plus/Minus		
SCORE	GRADE	QUALITY POINTS	SCORE	GRADE	QUALITY POINTS
79	C	2.0	79	C+	2.3
78	C	2.0	78	C+	2.3
77	C	2.0	77	C+	2.3
76	C	2.0	76	C	2.0
75	C	2.0	75	C	2.0
74	C	2.0	74	C	2.0
73	C	2.0	73	C	2.0
72	C	2.0	72	C-	1.7
71	C	2.0	71	C-	1.7
70	C	2.0	70	C-	1.7

For more information regarding the grading system please visit the University Registrar's website at: <https://sites01.lsu.edu/wp/registraroffice/academics/plusminusgrades-guidelines/>

Course Content: Agricultural Commodity Marketing and Risk Management Marketing of Agricultural Products (MAP)

The Framework of the Marketing Problem

A. Introduction to Food Marketing

1. What is Marketing
2. Marketing is Complex and Costly
3. Marketing Defined
4. Marketing as a Value-Added Process
5. Food Marketing Career Opportunities
6. The Marketing Process
7. Alternative Perspectives of Food Marketing
8. Growth and the Role of Marketing
9. Food Marketing in the Market Economy
10. Historical Benchmarks in Food Marketing

B. Analyzing Agricultural and Food Markets

1. Approaches to the Study of Food Marketing
2. Food Marketing Management
3. Analyzing Market in the Food Industry
4. Food Marketing Efficiency
5. Consumers and Food Marketing
6. Food Marketing Trends and Issues

C. Agricultural Production and Marketing

1. The Agricultural Plant
2. The Structure of U.S. Agriculture
3. Characteristics of the Product
4. Characteristics of Production
5. The Farm Marketing Problems
6. Farm marketing Alternatives

Prices and Marketing Costs

D. Price Analysis and the Exchange Function

1. Role of Prices in the Competitive Economy
2. Relative Prices and Food Marketing Decisions
3. Supply and Demand Analysis
4. Applications of Supply and Demand Analysis
5. Who Benefits from Cost-Reducing Farm Technology?
6. Marketing and the Law of One Price
7. Price Discovery

E. Competition in Food Markets

1. Types of Competition
2. Perfect Competition
3. Monopoly
4. Oligopoly
5. Monopolistic Competition
6. Market Structure and Performance
7. Competitive Conditions in Food Markets
8. Workable Competition

F. Farm and Food Prices

1. Forces Influencing Food Prices
2. General Food Prices and Relationships
3. Commodity Price Fluctuations
4. Farm Prices and Costs over the Business Cycle
5. Agricultural Price Cycles
6. Seasonal Price Variations
7. Farm Income and Prices

G. Food Marketing Costs

1. The Food Marketing Margin
2. The Food Marketing Bill
3. Cost Components of the Marketing Bill
4. The Marketing Cost Index
5. Farm-Retail Price Spreads
6. The Farmer's Share
7. Interrelationships of the Marketing Margin and Food Prices
8. The Future of Food Marketing Costs

Investing in Futures in Futures and Options Markets (FOM)

A. Getting Started

1. Self-Appraisal
 - Setting Goals
 - Attitude Towards Risk
 - Financial Resources
2. Developing a Plan
3. A Word About Investing

B. Mechanics of Trading

1. The Basics
 - Buying, Selling, and Offsetting
 - A Word About Selling
 - Contract Months
 - The Delivery
 - Price, Volume, and Open Interest

- Getting Started
- Selecting a Broker
- The Margin
- Types of Orders

C. A Brief History of Futures Markets

1. Early Market Places
2. Early U.S. Market places
 - Economic Setting
 - Options Markets
3. Futures and Options Exchanges
 - Chicago Board of Trade (CBT)
 - Chicago Mercantile Exchange (CME)
 - Midamerica Commodity Exchange (MCE)
 - Minneapolis Grain Exchange (MPLS)
 - Kansas City Board of Trade (KCBT)
 - New York Mercantile Exchange (NYME)
 - New York Cotton, Citrus, Finex and NYFE Exchange (NYCE)
 - The New York Coffee, Sugar, and Cocoa Exchange (CSCE)
 - Other Exchanges
4. Regulating Groups
 - Commodity Futures Trading Commission (CFTC)
 - Nation Futures Association (NFA)

D. Investing as a Speculator

1. Short Term
2. Long Term
3. Spreaders

E. Speculative Strategies

1. Fear and Greed
2. Puking
3. Discipline
4. Trading Plans
 - Components of Trading
 - Situation Analysis
 - Goals
 - Strategies
 - A Word about a Simple Plan
 - Position Traders
5. Managed Trading Systems
 - Types of Systems

F. Investing as a Hedger – The Basics

1. Basis and Basis Changes/Net Hedge Price
2. Types of Hedges
3. Computing Net Hedge Prices
 - Net Hedge Selling Price
 - Net Hedge Buying Price
4. Hedging Issues
 - Over and Under Hedging
 - Contract Month
 - Rolling Hedge
 - Target Prices
 - Double Whammy

G. Hedging Strategies: The Grain and Oilseed Complex

1. Producers
 - Production (Anticipatory) Hedges
 - Storage Hedges
 - Rolling Hedges
2. Using Target Prices
 - Estimating Production and Operating Costs
 - Selective Hedging
3. Merchandisers
 - Short Merchandising Hedges
 - Long Merchandising Hedges
 - Basis Aspects
 - To-Bid Price
 - Spread Hedging
 - Crush
 - Reverse Crush
4. Ex-Pit Transactions
5. Call Contracts
 - Seller's Calls
 - Buyer's Calls
 - Double Calls
 - Basis Contracts
 - Basis Aspects

H. Practical Hedging Considerations

1. Hedging Classifications
 - Situational Hedging
 - Full-Risk Hedging
2. Cross Hedging
 - Different Commodities
 - Different Grades/Standards/Maturities
 - Different Time Periods

- Different Quantities
 - Minimum Risk Hedges
3. Selective Hedging
 - Hedging Revisited

I. Options Markets: The Basics

1. Mechanics of Trading
2. Actual versus Futures
3. Premiums and Strike Price
4. Exercising and Retrading Options
5. Buying Options
6. Selling Options
7. Covered Option Writing
8. Selling Options Naked
9. Spreading

J. Trading Options

1. Hedging
 - Short Option Hedging
 - Long Option Hedging
2. Option Hedging Considerations
 - Deltas
 - Multiples
 - Basis
 - Selecting and Option
3. Financial Requirements
4. Price Protection
5. An Options Strategy: Synthetic Option Hedging
6. Price Insurance
7. Speculating
 - Buy Strategies
 - Sell Strategies
 - Buy/Sell Strategies
8. Spreading

AGEC 3203 Agricultural Commodity Marketing and Risk Management Spring 2017 Course Calendar

<u>Class</u>	<u>Date</u>	<u>Subject</u>
1	January 11 th	Syllabus
2	January 16 th	MAP Chapter 1
3	January 18 th	MAP Chapter 1
4	January 23 rd	MAP Chapter 2
5	January 25 th	MAP Chapter 2
6	January 30 th	MAP Chapter 3 <u>Chapter 1</u>
7	February 1 th	MAP Chapter 3 <u>Chapter 2</u>

8	February 6 th	Review for Exam 1 Chapter 3
9	February 8th	<u>EXAM 1 Exam 1 Review</u>
	<i>February 13th</i>	<i>MARDI GRAS</i>
10	February 15 th	MAP Chapter 8 Exam 1
11	February 20 th	MAP Chapter 8 Chapter 8
12	February 22 st	MAP Chapter 9 Chapter 9
13	February 27 th	MAP Chapter 9 Chapter 10
14	March 1 st	MAP Chapter 10 Chapter 11
15	March 6 th	MAP Chapter 10 <i>Review for Exam 2</i>
16	March 8 th	MAP Chapter 11 <u>EXAM 2</u>
17	March 13 th	MAP Chapter 11 <i>FACTSim</i>
18	March 15 th	<i>Review for Exam 2</i> <i>FACTSim</i>
19	March 20th	<u>EXAM 2 FOM Chapter 1 & 2</u>
20	March 22 nd	FOM Chapter 1 & 2 <i>Let Spring Break Begin</i>
	<i>March 27th</i>	<i>Spring Break</i>
	<i>March 29th</i>	<i>Spring Break</i>
21	April 3 rd	FOM Chapter 3 & 4
22	April 5 th	FOM Chapter 5
23	April 10 th	FOM Chapter 6
24	April 12 th	FOM Chapter 7
25	April 17 th	FOM Chapter 11
26	April 19 th	FOM Chapter 12
27	April 24 th	FOM Chapter 13
28	April 26 th	<i>Final Exam Review</i>
Final Exam	April 30th Monday	Final Exam
	3:00 – 5:00 PM	