

**AGRICULTURAL ECONOMICS 444//644
CROPS MARKETING/ADVANCED CROPS MARKETING
FALL 2011**

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Office Hours: Monday and Friday 3:30-5:00, or by appointment

TA:

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Prerequisites/Concurrent: Stat 331 (Regression Analysis). AE 339 can be taken concurrently¹

Topic Overview:

1. Mechanics and mechanisms for futures and options trading
2. Hedging mechanics
3. Basis and Spreads
4. Hedging II: basis and spreads and hedging
 - a. Intermonth Spreads and hedging
 - b. Cash contracting
 - i. Basis, dpes, HTAs, etc
 - ii. Specialty grain contracts
5. Cash Contracting
6. Farmer marketing plan
7. Advanced Hedging
 - a. Portfolio models of hedging
8. Option pricing models and advanced trading
9. Logistics, Rail and Barge and grain quality
 - a. Mechanisms
 - b. Strategy Evaluation
10. Control Mechanisms and Grain Trading

¹ For perspective on relevance of these prerequisites, this is a senior-level course and will be taught at that level. Thus, we will be using some basic statistical concepts (i.e., regression, variance, covariance), and basic linear programming models. Concurrent registration of AE 339 will suffice. We will not be using higher level applications of these methods. It is expected that you can use the basic technique and have access to computer programs to apply the techniques. I will not be teaching the technique in this class.

Assigned readings: These will be assigned on a routine basis during class and will be comprised of materials from the texts, the www, and selected readings on the bb.

Textbooks:

1. Bittman, J. Trading and Hedging with Agricultural Futures and Options.
2. Lorton and White, The Art of Grain Merchandising Silver edition, Lorton and White, Stipes Publishing.

Class Materials: Blackboard will be used to distribute assignments, updated reading lists, data and programs as well as other materials (<http://bb.ndsu.nodak.edu/>). Numerous materials are distributed during this class. These will be distributed once in class, after which they will be unavailable

Other Readings (available on-line and/or on the bb):

Hybrid Cash Grain Contracts <http://www.ngfa.org/hybridbk.pdf>

MGE Home page "MGE Futures and Options Workbook" available at MGE website at: <http://www.mgex.com/documents/MGEXFuturesOptions12-07.pdf>

NFA Opportunity and Risk: An Educational Guide to Trading Futures and Options, available at <http://www.nfa.futures.org/investor/OppRisk/OppRisk.pdf>

CME Group. Look for on-line pdfs, and webinars; at

http://www.cmegroup.com/education/events/forms/commodity_options_on_futures_education_archive.html

CBOT Home Page Available at <http://www.cbot.com/cbot/www/page/0,1398,14+60+143,00.html>

- 1) [A Hedger's Self Study Guide](#)
- 2) [An Introduction to Trading CBOT Agricultural Futures and Options](#)
- 3) [Understanding Basis](#)
- 4) [Buyer's Guide to Managing Price Risk](#)
- 5) [Strategies for Managing Price Risk](#)

Grading:

Discussion presentation and Class Participation	20%
Assignments	20%
Exam(s)	15%
Term I	15%
Term II	15%
Term III	15%
Final Exam	15%
Total	100%

Class Participation: There will be multiple ways to earn class participation points. These include:

1. Term project presentation
2. Responding to discussion questions: Tuesdays
3. Asking questions of guest speakers
4. Presenting materials to class (students with grain marketing interns, and/or job shadow programs)
5. Others

Term Project/Presentation: Each student will have to make an in-class presentation on a topic provided by the instructor. A series of discussion questions are available, by general topical area. Each may be 3-4 specific topics. Students must choose among these and that can commence on Aug 30. These will be allocated first-come-first-serve. See attachment and bb.

Students within a group need to get together, organize who is going to do what, and begin preparing the presentations that will be made on the assigned dates. 10 minutes with questions.

All students in the class will be responsible for understanding the material presented in the presentations. Questions will be allowed/encouraged.

Assignments: I will be providing about 9-10 assignments during the semester. You will be required to do 8, your choice.

The purpose of this is to allow you to accommodate your schedules and workloads. Though you will not be required to turn in all assignments, you will be required to know the material. All assignments will be posted on the blackboard. Time will be allowed each week to go over these. Students may be asked to present results. The attached table contains a list of the planned assignments for this semester.

The following are policies regarding assignments that will be enforced:

1. Late papers will not be allowed.
2. Copying other student's work will not be tolerated. Working together is encouraged, however, copying of text, graphs or spreadsheets will result in assignments returned, and additional requirements will be imposed.

3. Style: All assignments must contain acceptable style, both in terms of text and graphical presentation. Text must be labeled appropriately by parts; headings and sub-headings must be consistent; graphs must be appropriately labeled, titled etc.

Unacceptable style will result in a reduction in grade and assignments will be returned for revisions.

Other planned class activities (to be announced during semester):

Minneapolis field trip. Sometime during late October, we will plan a 1 day field trip to Minneapolis. The purpose of this will be to expose students to the Minneapolis Grain Trade and likely visits will be to the MGE, ADM, Cargill, CHS and possibly others. Details later. Most likely will be late October. This will be coordinated with the AgBus club.

ADA: Any students with disabilities who need accommodations in this course are encouraged to speak with the instructor as soon as possible to make appropriate arrangements for these accommodations.

*****SPECIAL NOTE TO AE 644 STUDENTS*****

There are at least three additional requirements for AE 644 students.

1. For some sections there will be additional readings, beyond those contained in AE 444. You will be responsible for these and their content will be included on the test.
2. A term paper will be required. I will distribute requirements later. However, be forewarned that the paper must entail a statistical or quantitative analysis related to grain merchandising and reporting of results to the class.
3. On some assignments you will be expected to do extra work to demonstrate use of quantitative techniques taught at the graduate level.

Term Project: A term project will be required for 644 students only. This will be distributed in early Sept, specific topics must be chosen by mid-Sept 11; initial drafts are due early November and final drafts due on November 27.