

## **AEB 3315 Agricultural Commodity Marketing and Risk Management Section 8169 Fall 2018**

**Instructor:** Dr. John VanSickle

**Office:** 1185 McCarty Hall

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**Office Hours:** Monday, Wednesday, Friday -- 10:30 - 11:30 a.m. & by appointment

**Teaching Assistant:** Xumin Zhang

**Office:** 1172 McCarty Hall

**Email:** xumzxm@ufl.edu

**Office Hours:** Tuesday, Thursday, 1:00 – 3:00 pm or by appointment

**Class:** Monday, Wednesday and Friday - 11:45 am - 12:35 pm.

McCarty Hall B Room 2102

### **Optional Texts:**

John C. Hull. *Options, Futures and other Derivatives*. 9<sup>th</sup> ed. Pearson Education, Inc. Boston. 2015. ISBN: 978-0-13-345631-8

### **Optional Text On Reserve at Marston Science Library:**

Jack Schwager. *Schwager on Futures: Technical Analysis*. John Wiley & Sons, Inc., New York. 1996. ISBN: 0-471-02051-6

## **INTRODUCTION**

**Course Title:** Agricultural Commodity Marketing and Risk Management. 3 credits.

**Course Description.** We will focus our attention on the use of futures markets in trading agricultural and other commodities. We will use a commodities futures trading simulation (FACTSim), and you will be required to participate in homework exercises and a trading simulation using the futures market.

**Course Objective:** This course is intended to provide students with an understanding of the mechanics and value of futures markets for speculation and risk management. In addition, through presentation of methods of analysis, speculating and hedging, the concepts of how these markets can be employed as tools in the management of risk in agricultural firms of all sizes will be made clearer.

**Academic Honesty:** In 1995 the UF student body enacted an honor code and voluntarily committed themselves to the highest standard of academic honesty and integrity. When students enroll at the University of Florida, they commit themselves to the standard

drafted and enacted by students. In their words, the Honor Code Preamble: In adopting this honor code, the students at the University of Florida recognize that academic honesty and integrity are fundamental values of the university community. Students who enroll at the university commit to holding themselves and their peers to the high standard of honor required by the honor code. Any individual who becomes aware of a violation of the honor code is bound honor to take corrective action. The quality of a University of Florida education is dependent upon community acceptance and enforcement of the honor code.

**The Honor Code:** *We, the members of the University of Florida community, pledge to hold ourselves and our peers to the highest standards of honesty and integrity.*

On all work submitted for credit by students at the University, the following pledge is either required or implied: **“On my honor, I have neither given nor received unauthorized aid in doing this assignment.”** The university requires all members of its community to be honest in all endeavors. A fundamental principle is that the whole process of learning and pursuit of knowledge is diminished by cheating, plagiarism and other acts of academic dishonesty. In addition, every dishonest act in the academic environment affects other students adversely, from the skewing of the grading curve to giving unfair advantage for honors or for professional or graduate school admission. Therefore, the university will take severe action against dishonest students. Similarly, measures will taken against faculty, staff and administrators who practice dishonest or demeaning behavior. Moreover, any individual who becomes aware of a violation of the Honor Code is bound by honor to take corrective action.

**Student Responsibility:** Students should report any condition that facilitates dishonesty to the Instructor, Department Chair, College Dean or Student Honor Court.

**Faculty Responsibility:** Faculty members have a duty to promote honest behavior and to avoid practices and environments that foster cheating in their classes. Teachers should encourage students to bring negative conditions or incidents of dishonesty to their attention. In their own work, teachers should practice the same high standards they expect from their students.

**Administration Responsibility:** As highly visible members of our academic community, administrators should be ever vigilant to promote academic honesty and conduct their lives in an ethically exemplary manner (Source: 2010-2011 UF Undergraduate Catalog).

This policy will be vigorously upheld at all times in this course. **Instances of academic dishonesty will be reported to Student Judicial Affairs.**

**Attendance Policy:**

<https://catalog.ufl.edu/ugrad/current/regulations/info/attendance.aspx> UF has summarized campus-wide policies regarding attendance that cover the drop/add period, religious holidays, illness, and UF extracurricular activities, including athletics. In short, you are expected to notify the instructor prior to any absences and provide documentation when relevant. Regular attendance and **positive contributions** to class discussions are **suggested and expected**.

**UF Counseling Services:** The life of a college student can sometimes be overwhelming. Resources are available on-campus to help students manage personal issues or gain insight into career and academic goals. Students experiencing crises or personal problems that interfere with their general well-being are encouraged to utilize the university's various counseling resources. The following resources are available to all UF students: include:

General Student Affairs – Dean of Students Office, 202 Peabody Hall, 392-1261 (after hours, 392-1111).

Mental Health Consultations - University Counseling and Wellness Center, 3190 Radio Road, 392-1575 (24 hour access)

Physical Health Consultations – Student Health Care Center, 392-1171

Victims of Sexual Assault – Office of Victim Services, 392-5648 (after hours call 392-1111)

Career Guidance - Gallery, room 2310, on Level 2 of the Reitz Union, Reitz Union, 392-1601, [www.crc.ufl.edu](http://www.crc.ufl.edu)

**Students with Disabilities:** The Dean of Students Office provides individual assistance to students with documented disabilities based upon the need and impact of the specific disability. There is no requirement for a student to self-identify his/her disability. However, students requesting classroom accommodations must register with the Dean of Students Office in 202 Peabody Hall, or phone 392-1261.

**Software Use:** All faculty, staff, and students of the University of Florida are required and expected to obey the laws and legal agreements governing software use. Failure to do so can lead to monetary damages and/or criminal penalties for the individual violator. Because such violations are also against University policies and rules, disciplinary action will be taken as appropriate.

**E-Learning:**

Course materials will be available on the E-Learning homepage for this course. Those materials can be obtained by accessing the homepage for E-Learning at

<https://lss.at.ufl.edu/>

Log in to the E-Learning website with your GatorLink ID and Password. The course should be listed if you have officially signed up for the course. The course home page will be the location for Course Materials, Homeworks and Old Exams, along with other useful materials.

**Grading:**

|                              |                         |
|------------------------------|-------------------------|
| Midterm                      | 100 points (20%)        |
| Trading Simulation (FACTSim) | 150 points (30%)        |
| Homeworks                    | 100 points (20%)        |
| Final Exam (12/14, 7:30am)   | 100 points (20%)        |
| Class Participation          | <u>50 points (10%)</u>  |
|                              | 500 points total (100%) |

Class Attendance is important and expected. Random rolls will be taken. Note that class attendance and participation amounts to 10% of your grade. This will make a difference in a letter grade. Course grades will be assigned according to the following scale:

|                  |              |                 |
|------------------|--------------|-----------------|
| 91% or greater A | 79-80.99% B- | 67-68.99% D+    |
| 89-90.99% A-     | 77-78.99% C+ | 61-66.99% D     |
| 87-88.99% B+     | 71-76.99% C  | 59-60.99% D-    |
| 81-86.99% B      | 69-70.99% C- | Less than 59% E |

I will describe the trading game as we approach that part of the class schedule. You will be required to do some simulated trading.

**Class Schedule and Assignments**

**Material (Dates)**

**References**

I. Overview of Futures and Options Markets (8/22 – 9/21) **No class 9/3(Labor Day),**

Mechanics of Futures Trading Hull Chpts. 1-2

**Homework 1 – FACTSim Account Setup – 5 points – 9/5**

**Homework 2 – Open Interest and Margins – 10 points – 9/10**

Mechanics of Options Trading Hull Chpt. 9

**Homework 3 – Options Trading – 10 points – 9/21**

Bloomberg Terminal 9/21 – Carolyn Tekeda Brown

**Homework 4 – Bloomberg Report – 10 points – 9/28**

FactSim

**Homework 5 – FACTSim Practice Trades – 10 points – 10/5**

II. Speculation with Futures Contracts (9/24 – 10/26)

Price Analysis: Schwager Ch. 2-6, 13, 15

**Homework 6 – Fundamental Analysis – 10 points – 10/10**

**Homework 7 – Technical Tools – 10 points – 10/22**

Setting Objectives

Schwager Ch. 10

**Midterm – 100 points - (On or about 10/26)**

III. Hedging with Futures and Options (10/29 – 11/19) **No class 11/2 (Homecoming)**

**No class 11/12 (Veterans Day),**

**11/21-23 (Thanksgiving)**

Hedging Fundamentals Hull Ch. 3

**Homework 8 – Hedging with Futures – 15 points – 11/19**

**Homework 9 – Hedging with Options – 10 points – 11/26**

IV. Advanced Options Trading (11/26 – 12/5)

Option Strategies Hull Ch 12,19

**Homework 10 – Trading Option Volatility – 10 points – 12/3**

**Last day of FACTSim trading – 11/30**

**FACTSim Trading Report – 150 points – Due 12/5**

**Last Class Review - 12/5**

**Final Exam – 100 points - (Thursday, 12/13 7:30-9:30am)**

**AEB 3315**  
**Dr. John J. VanSickle**

**Fall, 2018**

**Name** \_\_\_\_\_ **UFID#** \_\_\_\_\_

**Hometown/State/Country:** \_\_\_\_\_

**Current Major/Degree Program:** \_\_\_\_\_

**Career Objectives (if any):** \_\_\_\_\_

\_\_\_\_\_

**Goals for this Course (if any):** \_\_\_\_\_

\_\_\_\_\_

**Hobbies:** \_\_\_\_\_

**Which best describes your background? farm** \_\_\_; **rural non-farm** \_\_\_;  
**urban/suburban** \_\_\_

**Turning in this completed form is worth 10 Bonus points if turned in by August 27, 2018**