

**AEB 3315 – FUTURES MARKETS AND RISK MANAGEMENT IN AGRICULTURE**

Fall 2022 – Class number 23690 – 3 Credits

**CLASS TIME AND LOCATION**

MWF, Period 3 (9:35am – 10:25am)

MAEB 0234

**OFFICE HOURS**

MWF, (11:00am – 12:00pm)

MCCB 1083

Or by appointment.

**PREREQUISITE**

AEB 3144

**INSTRUCTOR**

Derek Farnsworth

Office: MCCB 1083

Phone: 352-294-7698

E-mail: [dfarnsw@ufl.edu](mailto:dfarnsw@ufl.edu)**TEACHING ASSISTANT**

Md Azhar Uddin

Office: TBA

Hours: Thursday, 4 – 5 pm

Email: [mdazharuddin@ufl.edu](mailto:mdazharuddin@ufl.edu)**COURSE DESCRIPTION**

Basic elements and principles of agricultural commodity marketing with emphasis on the futures industry. Includes use of futures markets for speculating and risk management for agriculture and finance. Participation in a computerized futures trading game is required.

The course presents derivatives instruments such as options, futures and forwards. Derivatives have become crucial investment tools in recent decades as they allow to manage and reduce risk associated with changes in interest and exchange rates, commodity prices, inflation, and weather. We focus on the use of futures markets in trading agricultural and other commodities. We will use a commodity futures trading simulation from the Chicago Mercantile Exchange (CME) where you will be required to participate in this trading exercise during the semester.

**E-LEARNING IN CANVAS**

There will be an e-Learning webpage for this course. To access e-Learning you will need your Gatorlink username and password. E-Learning can be accessed via <http://elearning.ufl.edu/>. Should you have difficulties accessing e-Learning, please contact the [UF Computing Help Desk](#) at 352-392-4357 or via e-mail at [helpdesk@ufl.edu](mailto:helpdesk@ufl.edu).

**REQUIRED TEXT AND MATERIALS**

Carter, Colin A. Futures and Options Markets: An Introduction, 2<sup>nd</sup> Edition, 2018, RebelText.

**LEARNING OBJECTIVES**

This course provides foundations of derivatives instruments which are applied by high-level management in the agribusiness and finance area. The specific goals are to:

1. Provide an understanding of the mechanics of future markets for speculation and risk management.
2. Highlight the methods of markets analysis such as speculating and hedging to reduce unwanted risk.
3. Gain experience in applying these instruments and models for valuation, risk management and financial engineering.

**COURSE OUTLINE**

1. The Markets (CH1)
2. Futures and Options Market Mechanics (CH2)
3. Commodities (CH3)  
EXAM 1 (CH1 – CH3)
4. Hedging (CH7)
5. Options Markets (CH8)
6. Hedging with Options (CH9)  
EXAM 2 (CH7 – CH9)

**GRADES**

Your final course grade is determined by the following components:

Exams (2 at 20% each)	40%
Homework (4 at 10% each)	40%
<u>Investing Project</u>	<u>20%</u>
Total	100%

Grades will be awarded as follows:

Percentage	Grade
93% or greater	A
90% to 92.99%	A-
87% to 89.99%	B+
83% to 86.99%	B
80% to 82.99%	B-
77% to 79.99%	C+
73% to 76.99%	C
70% to 72.99%	C-
67% to 69.99%	D+
63% to 66.99%	D
60% to 62.99%	D-
Below 60%	E

Please note that grades are not “rounded” in any way at the end of the term. However, a curve may be implemented at the instructor’s discretion.

For general information about grading and grading policy at the University of Florida, please refer to: <https://catalog.ufl.edu/ugrad/current/regulations/info/grades.aspx>

### Exams

There will be **two in-class exams** during the semester. Each exam is worth 20% of your grade. The exams may consist of multiple choice, problem-solving, and short answer questions. The exams may be based on material covered in class, material from the textbook, or concepts implied by the material covered. The exam dates are tentatively scheduled as follows:

- **Exam 1: October 12**
- **Exam 2: December 7**

**Note: Posted exam dates are subject to change, it is your responsibility to listen to class announcements and check e-Learning for any changes in exam dates.**

### Homework

There will be **four homework assignments** given throughout the semester. Each homework is worth 10% of your grade. **Homework is due at midnight.** It is your responsibility to submit assignments on time and follow the instructions for the assignment submission. A grading rubric is available on the course site. Late submissions will receive half credit.

## **OTHER COURSE POLICIES**

If you have a question about the grading of your assignment and/or exam, you must contact me immediately. If you believe there has been a grading mistake, you can appeal points that you earned in an assignment and/or exam (i.e., get more points). **To appeal, you must state your case in writing within one week of the day I return the assignment or exam. Turn the entire assignment or exam in, along with a written description of your concern and your expected resolution of the problem.** Be aware that when you do this, I will **re-grade the entire assignment or exam**.

**Our class sessions may be audio visually recorded.** Students who participate with their camera engaged or utilize a profile image are agreeing to have their video or image recorded. If you are unwilling to consent to have your profile or video image recorded, be sure to keep your camera off and do not use a profile image. Likewise, students who un-mute during class and participate orally are agreeing to have their voices recorded. If you are not willing to consent to have your voice recorded during class, you will need to keep your mute button activated and communicate exclusively using the "chat" feature, which allows students to type questions and comments live. The chat will not be recorded or shared. As in all courses, unauthorized recording and unauthorized sharing of recorded materials is prohibited. Zoom will be used to broadcast and record lectures (<https://zoom.us/privacy>).

## **SUPPLEMENTAL INFORMATION**

### **Attendance and Make-Up Work**

Requirements for class attendance and make-up exams, assignments and other work are consistent with university policies that can be found at: <https://catalog.ufl.edu/UGRD/academic-regulations/attendance-policies/> In general, you are expected to be in class each day and submit all work on time on e-Learning.

### **Students Requiring Accommodations**

Students with disabilities who experience learning barriers and would like to request academic accommodations should connect with the Disability Resource Center. It is important for students to share their accommodation letter with their instructor and discuss their access needs, as early as possible in the semester.

### **Course Evaluation**

Students are expected to provide professional and respectful feedback on the quality of instruction in this course by completing course evaluations online via GatorEvals. Guidance on how to give feedback in a professional and respectful manner is available at <https://gatorevals.aa.ufl.edu/students/>. Students are notified when the evaluation period opens, and can complete evaluations through the email they receive from GatorEvals, in their Canvas course menu under GatorEvals, or via <https://ufl.bluera.com/ufl/>. Summaries of course evaluation results are available to students at <https://gatorevals.aa.ufl.edu/public-results/>.

**In-Class Recording**

Students are allowed to record video or audio of class lectures. However, the purposes for which these recordings may be used are strictly controlled.

The only allowable purposes are: (1) for personal educational use, (2) in connection with a complaint to the university, or (3) as evidence in, or in preparation for, a criminal or civil proceeding. All other purposes are prohibited. Specifically, students may not publish recorded lectures without the written consent of the instructor.

A “class lecture” is an educational presentation intended to inform or teach enrolled students about a particular subject, including any instructor-led discussions that form part of the presentation, and delivered by any instructor hired or appointed by the University, or by a guest instructor, as part of a University of Florida course. A class lecture does not include lab sessions, student presentations, clinical presentations such as patient history, academic exercises involving solely student participation, assessments (quizzes, tests, exams), field trips, private conversations between students in the class or between a student and the faculty or lecturer during a class session.

Publication without permission of the instructor is prohibited. To “publish” means to share, transmit, circulate, distribute, or provide access to a recording, regardless of format or medium, to another person (or persons), including but not limited to another student within the same class section. Additionally, a recording, or transcript of a recording, is considered published if it is posted on or uploaded to, in whole or in part, any media platform, including but not limited to social media, book, magazine, newspaper, leaflet, or third party note/tutoring services. A student who publishes a recording without written consent may be subject to a civil cause of action instituted by a person injured by the publication and/or discipline under UF Regulation 4.040 Student Honor Code and Student Conduct Code.

**University Honesty Policy**

UF students are bound by The Honor Pledge: “We, the members of the University of Florida community, pledge to hold ourselves and our peers to the highest standards of honor and integrity by abiding by the Honor Code. On all work submitted for credit by students at the University of Florida, the following pledge is either required or implied: “On my honor, I have neither given nor received unauthorized aid in doing this assignment.” The Conduct Code specifies a number of behaviors that are in violation of this code and the possible sanctions. [Click here to read the Conduct Code](#). If you have any questions or concerns, please consult with the instructor or TAs in this class.

**Software Use**

All faculty, staff, and students of the University 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. We, the members of the University of Florida community, pledge to uphold ourselves and our peers to the highest standards of honesty and integrity.

**Student Privacy**

There are federal laws protecting your privacy with regards to grades earned in courses and on individual assignments. For more information, please see the [Notification to Students of FERPA Rights](#).

**Campus Resources:****Health and Wellness**

*U Matter, We Care:* If you or someone you know is in distress, please contact [umatter@ufl.edu](mailto:umatter@ufl.edu), 352-392-1575, or visit [U Matter, We Care website](#) to refer or report a concern and a team member will reach out to the student in distress.

*Counseling and Wellness Center:* [Visit the Counseling and Wellness Center website](#) or call 352-392-1575 for information on crisis services as well as non-crisis services.

*Student Health Care Center:* Call 352-392-1161 for 24/7 information to help you find the care you need, or [visit the Student Health Care Center website](#).

*University Police Department:* [Visit UF Police Department website](#) or call 352-392-1111 (or 9-1-1 for emergencies).

*UF Health Shands Emergency Room / Trauma Center:* For immediate medical care call 352-733-0111 or go to the emergency room at 1515 SW Archer Road, Gainesville, FL 32608; [Visit the UF Health Emergency Room and Trauma Center website](#).

**Academic Resources**

*E-learning technical support:* Contact the [UF Computing Help Desk](#) at 352-392-4357 or via e-mail at [helpdesk@ufl.edu](mailto:helpdesk@ufl.edu).

*Career Connections Center:* Reitz Union Suite 1300, 352-392-1601. Career assistance and counseling services.

*Library Support:* Various ways to receive assistance with respect to using the libraries or finding resources.

*Teaching Center:* Broward Hall, 352-392-2010 or to make an appointment 352-392-6420. General study skills and tutoring.

*Writing Studio:* 2215 Turlington Hall, 352-846-1138. Help brainstorming, formatting, and writing papers.

*Student Complaints On-Campus:* [Visit the Student Honor Code and Student Conduct Code webpage for more information](#).

*On-Line Students Complaints:* [View the Distance Learning Student Complaint Process](#).

**APPROXIMATE COURSE OUTLINE BY WEEK**

Week	Mon	Wed	Fri	Material/Notes
8/21	No Class			Class Introduction
8/28				Chapter 1: The Markets
9/4	No Class	HW 1		
9/11				Chapter 2: Futures and Options Market Mechanics
9/18		<i>Project 1</i>		
9/25				Chapter 3: Commodities
10/2		HW 2		
10/9		<b>Exam 1</b>		
10/16				Chapter 7: Hedging
10/23		HW 3		
10/30				Chapter 8: Options Markets
11/6		<i>Project 2</i>	No Class	
11/13				Chapter 9: Hedging with Options
11/20		No Class	No Class	Fall Break
11/27		HW 4		Class Review
12/4		<b>Exam 2</b>	No Class	Reading Days
12/11	No Class	No Class	No Class	Finals Week – <i>Project 3: 12/15 7:30 – 9:30am</i>

All homework and exams are due by midnight on the assigned date. The schedule is subject to change according to the instructor's discretion.