

AEC 455: COMMODITY FUTURES MARKETING
Texas A&M University-Commerce
School of Agriculture
Spring 2015

Syllabus

INSTRUCTOR: Dr. Rafael Bakhtavoryan

Office: Agricultural Science Building, Room 154

Phone: (903) 886-5367

Email: Rafael.Bakhtavoryan@tamuc.edu (please use "AEC 455" as the subject of the email)

CLASS SECTION: 01E

CLASS MEETING: MWF 8:00-8:50 a.m., AGIT Room 255

OFFICE HOURS: My scheduled office hours are from 1:30 p.m. to 4:00 p.m. Tuesday and Thursday, or by appointment (email is the best way of communication for making appointments). However, I keep an open-door policy. So, feel free to stop by my office and ask questions anytime. If I cannot meet with you at that time, we will make an appointment.

REQUIRED READING MATERIAL: Any introductory textbook on agricultural commodities futures and options will suffice. However, we will mainly rely on handouts and PowerPoint presentations provided by the instructor as well as online resources (handouts, videos) provided by CME Group at <https://www.cmegroup.com/>.

COURSE DESCRIPTION: This course examines the mechanics and economic functions of futures and options markets, focusing on their use as risk management tools.

COURSE OBJECTIVES: The objectives of this course are:

1. To introduce to students the history and organization of agricultural futures markets, and the economic principles underlying their operation.
2. To acquaint students with the use of both fundamental and technical analysis as means of interpreting and predicting price movements in futures markets.
3. To illustrate the practical usage of futures and options as hedging and risk management tools for the producer and agribusiness firm.
4. To help students develop a better understanding of the forces affecting agricultural commodity prices by having them follow, analyze, and interpret the price fluctuations in a particular agricultural commodity over the course of a semester.

STUDENT LEARNING OUTCOMES: After studying all materials and resources presented in this course, students will be able to:

1. Understand why futures exchanges and commodity futures contracts exist.
2. Understand hedging and be able to design hedging strategies for various commodity producers and users.
3. Understand both put and call options and their potential use in a commodity risk management program.
4. Understand the usefulness and shortcomings of fundamental and technical analysis.

LECTURE TOPICS:

Sources of Risk and Uncertainty
Introduction to Forward Contracts
Introduction to Futures Contracts and Markets
Futures and Cash Market, Basis
Using Futures for Hedging and Speculation
Introduction to Options
Option Strategies
Fundamental Analysis
Technical Analysis

GRADING POLICY: Your grade for the semester will be a weighted average of class participation, daily review quizzes (DRQs), commodity report, commodity report presentation, homework assignments, and three in-class exams.

Class participation	5%
Daily review quizzes (DRQs)	5%
Commodity report	15%
Commodity report presentation	5%
Homework assignments	10%
Exam 1	20%
Exam 2	20%
Final Exam	20%

GRADING SYSTEM: Course grading is done according to the following scale:

<u>Range</u>	<u>Letter Grade</u>
90-100	A
80-89.99	B
70-79.99	C
60-69.99	D
Less than 60	F

CLASS PARTICIPATION: The goal of class participation is to provide students with an incentive to come to class prepared and having read the appropriate course material. There is a couple of ways for you to earn class participation points. First, you can earn them by **correctly** answering questions posed by instructor. Second, you can earn participation points by contributing to class discussions through thoughtful, timely, and constructive ideas/comments, as called upon by the instructor, or on a voluntary basis.

You will record your own participation points and the associated questions you answered or ideas/comments you voiced to earn the participation points on a piece of paper that you will have to give me at the end of the class. Make sure you also write your name, the date, and the course title on the paper. If you fail to give me the paper with the points, associated questions and ideas/comments, your name, the date, and the course title at the end of the class, you will not be given any participation points for that class.

I will give full credit for class participation (5%) to a student with maximum points at the end of the semester. The rest of students' class participation will be evaluated relative to the full-credit student's total points. You can email me asking about your total participation points at the moment. I will keep you posted on the maximum points earned at the time throughout the semester so that you can see where you are at as far as class participation.

DAILY REVIEW QUIZZES (DRQs): The DRQs will be given almost every class on material covered in the prior class period. DRQs are intended to: (1) motivate you to come to every class (2) motivate you to study on a regular basis, and (3) give you and your instructor immediate feedback on your progress. No make-up DRQs will be given and a grade of zero will be assessed for the missed DRQ.

COMMODITY REPORT: At the beginning of the semester, you will select an agricultural commodity that is traded on one of the major futures exchanges. Over the course of the semester, you will research this commodity and carefully follow its price movements. By immersing yourself in the day-to-day cash and futures price movement of the commodity you will gain a better perspective on the factors which cause commodity prices to fluctuate. In an Excel spreadsheet, you will compile daily data on open, high, low, and close prices of the futures contract on your selected agricultural commodity, and cash price at one significant market. Commodity report will include summary statistics and charts associated with these data, forecasts of futures price and cash price using technical analysis, as well as the analysis of the supply (area harvested, yield, beginning stocks, production, imports, and total supply) and usage/demand (exports, use, and ending stocks) for your commodity. Include major producing areas for the commodity in the United States and the world. Also, review and include U.S. Department of Agriculture reports and analysts' comments/reports for price direction over the next few months. Importantly, your report should also include your own thoughts and comments on price direction. The commodity report must be submitted both in hard copy and electronically.

COMMODITY REPORT PRESENTATIONS: At the end of the semester you will make a formal PowerPoint presentation to the class on your commodity report. The dates for the presentations will be specified.

HOMEWORK ASSIGNMENTS: Homework assignments will be assigned regularly. Homework assignments are intended to help students enhance understanding. Homework assignments must be handwritten and must be submitted to me on the due date at the beginning of the class. No late submissions of homework assignments will be accepted and a grade of zero will be assessed for it. If you expect to miss class, you can submit your homework assignment early. If necessary, homework assignments will be discussed in class to help students with homework problems.

EXAMS: Other than for university-excused absences or a valid doctor's excuse, no make-up exams will be given. If an exam is missed a grade of zero will be assessed for it. Students cannot use a programmable calculator for exams. A simple 4-function (addition, subtraction, multiplication, and division) calculator is sufficient for all problems. Also, no use of cell phones as calculators is allowed for exams.

PROCEDURE FOR APPEALING GRADES: You may appeal a grade received on any course assignment within 2 days after you receive the grade. There must be sufficient documentation (the graded exam, DRQ, homework assignment) to substantiate your claim. If there is no documentation, no grade change will occur.

A ROADMAP FOR SUCCESS IN AEC 455 & MY EXPECTATIONS OF YOU:

1. Come to class in a timely manner and stay for the duration of the class.
2. Prior to lecture, read the assigned readings, print and review the relevant PowerPoint slides.
3. Participate in class discussions sharing your insights through your questions and comments.
4. Complete and turn in course assignments at the scheduled time.
5. Use the web to actively seek out other relevant sources that fit your learning style and help you better understand the material.
6. Use your instructor as a resource for understanding the course material during the office hours.
7. Come to exams prepared.

COMMUNICATION: Class-related material and information (handouts, PowerPoint presentations, homework assignments, answer keys, announcements etc.) will be sent to students by e-mail with an appropriate lead time. Students are responsible for checking their e-mail accounts, downloading the appropriate class material, printing it out (if necessary), and bringing it to the class to facilitate the note taking. Readings assigned for a particular day should be done before class that day, because this is the material that will be discussed in class that day.

IMPORTANT DATES:

January 19th, Monday: Martin Luther King Jr. Day (No Class).

January 20th, Tuesday: First day of classes.

March 16th – March 20th: Spring Break (No Class).

May 8th, Friday: Last day of classes.

May 11th, Monday: Final Exam, 8:00-10:00 a.m.

STUDENTS WITH DISABILITIES: The Americans with Disabilities Act (ADA) is a federal anti-discrimination statute that provides comprehensive civil rights protection for persons with disabilities. Among other things, this legislation requires that all students with disabilities be guaranteed a learning environment that provides for reasonable accommodation of their disabilities. If you have a disability requiring an accommodation, please contact:

Office of Student Disability Resources and Services

Texas A&M University-Commerce

Gee Library

Room 132

Phone (903) 886-5150 or (903) 886-5835

Fax (903) 468-8148

StudentDisabilityServices@tamuc.edu

COUNSELING CENTER: A student that faces a crisis or a serious and unforeseeable event that affects his/her class performance must contact the Counseling Center, Student Services Building, Room 204, Phone (903) 886-5145. If important class material or course assignments are missed because of such crisis or event, the student must contact the instructor as soon as possible.

GENERAL POLICIES FOR CLASSES: All students enrolled at the University will follow the tenets of common decency and acceptable behavior conducive to a positive learning environment. See Student's Guide Handbook, Rules and Procedures, Code of Student Conduct (<http://www.tamuc.edu/CampusLife/documents/studentGuidebook.pdf>).

ACADEMIC INTEGRITY: Students must follow the *Code of Student Conduct* in the *Student Guidebook* (<http://web.tamuc.edu/admissions/studentGuidebook.aspx>). Any form of plagiarism or academic dishonesty will not be tolerated. Academic honesty is defined on *Chapter 13 Students (Academic)* of the *TAMUC Rules and Procedures* (<http://web.tamuc.edu/aboutus/policiesproceduresstandardsstatements/rulesprocedures/>):

“Academic dishonesty” includes, but is not limited to, plagiarism (the appropriation or stealing of the ideas or words of another and passing them off as one’s own), cheating, collusion (the unauthorized collaboration with others), and abuse (destruction, defacing, or removal) of resource material.

NOTE: The instructor reserves the right to make changes to the syllabus as needed. If changes are made, you will be notified of them ahead of time.