

COURSE OUTLINE

Principles of Futures Markets

Course Description

AG 218. Principles of Futures Markets. 3 hours credit. This course will enable the student to apply basic principles of futures markets to farm and ranch management. The student will learn principles of futures markets, types of market transactions, terminology, and market analysis. The student will simulate real transactions in the market to gain practical experience.

Course Relevance

The concepts, management, and techniques learned in this course will impact the students knowledge base needed in using futures in marketing. It is a suggested course in all agriculture degree programs.

Required Materials

Introduction to Futures workbook, Chicago Board of Trade.

Learning Outcomes

The intention is for the student to be able to

1. Demonstrate an understanding of futures application in marketing agricultural products
2. Identify strategies for using futures in hedging agricultural commodities
3. Recognize futures place in marketing for profit
4. Explain how futures impact options

Primary Learning PACT Skills that will be DEVELOPED and/or documented in this course

Through the student's involvement in this course, he/she will develop his/her ability in the following primary PACT skill areas:

1. Critical Thinking
 - Through the analysis of various futures contract uses, the student will make well founded decisions regarding marketing with futures contracts
2. Problem Solving
 - Through the understanding of futures marketing concepts, the student will lock in a profit in marketing agricultural commodities
3. Field-Related Technology
 - Through computer laboratory learning experiences, the student will identify futures contracts and fit them into a marketing plan

Secondary skills (developed but not documented):

Time Management

Reading

Major Summative Assessment Task(s)

These learning outcomes and the primary Learning PACT skills will be demonstrated by

1. Completing case studies showing awareness of the industry's latest techniques
2. Presenting knowledge of marketing using futures contracts by oral presentation, using options and hedging guides

Course Content

- I. Themes – Key recurring concepts that run throughout this course:
 - A. Marketing
 - B. Hedging strategies
 - C. Information services
- II. Issues – Key areas of conflict that must be understood in order to achieve the intended outcome:
 - A. Contract size, quality standards, timing and tax implications
- III. Concepts – Key concepts that must be understood to address the issues:
 - A. Selecting brokerage firm
 - B. Margin requirements
 - C. Contract size
 - D. Delivery points
- IV. Skills/Competencies – Actions that are essential to achieve the course outcomes:
 - A. Impact of using futures market in profitable production
 - B. Identify media sources of futures market information
 - C. Relate agricultural product controls in wholesome commodity marketing
 - D. Estimate agricultural product market prices used in futures contracts
 - E. Manage price risks in marketing agricultural commodities

Learning Units

- I. Introduction to agricultural futures and risk shifting
 - A. Types of contracts
 - B. How are prices determined for futures contracts
 - C. Terms used with futures contracts
 - D. What is a futures contract
- II. Definition of hedging
 - A. Inventory use
 - B. Futures use relative to cash markets
- III. Explaining basis
 - A. Definition and terminology
 - B. Components of basis
 - C. Uses of basis
- IV. Example of margins required
 - A. Hedging contracts

B. Speculation

V. Risk management strategies using futures contracts

A. Type used in hedging

B. Type used in option strategies

Learning Activities

Lecture is designed to enable the student to understand the key principles in marketing using futures contracts. Learning activities will be directed towards lecture/ demonstration and practical exercises.

Grade Determination

The student will be graded on assessment tasks and written examinations.