

Course Syllabus – Winter 2008

AREc 499 – COMMODITY FUTURES (1 Credit)

Instructor Thorsten M. Egelkraut
200B Ballard Extension Hall
yourarecprofessor@yahoo.com
phone (541) 737-1406

Phone and e-mail are the best way to contact the instructor.

Class Time W 12:00-13:50 pm (Feb 13 to Mar 12, 2008)
Class Location Weniger 287
Office Hours By appointment

Course Structure The course will provide an overview of the basic concepts needed to use commodity futures markets to successfully manage agricultural price risk. Specific topics covered include contract standardization, speculation and hedging, opening and closing of positions, and basis, i.e. the relationship between cash and futures markets.

Lecture attendance is optional but strongly encouraged. Students who don't do the homework or don't attend class regularly will likely do poorly on the tests. If you miss a homework, quiz, or an in-class assignment because you were not in class, you will receive a zero grade for that assignment.

This is an upper level course, but sophomores and juniors are welcome to register. Yet, because it is an upper level course, students are expected to display a great deal of independence and maturity. If questions emerge, the first step towards finding the needed information should involve the library (and/or the internet), the second the instructor. Students are expected to come prepared to office hours and sufficiently early (i.e. not an hour before assignments are due).

Course Objectives The class will enable students to understand and use futures markets to manage agricultural price risk. Moreover, the class will lay the conceptual groundwork for students to continue learning on their own about other derivative instruments such as options on futures etc.

Prerequisites

There are no formal prerequisites for the course, yet students should have an understanding of fundamental microeconomic concepts.

Grading

The final grade for the course consists of:

A. Homework (400 points total). Four homework problems (100 points each) will be given during the 5 weeks of classes. Homework assignments will be due at the beginning of class in the week following the lecture the homework was assigned. Homework will be given a zero grade if not turned in when due. The homework will provide experience in using the futures market to manage agricultural price risk.

B. Quizzes (300 points). Three announced quizzes will be given in class (100 points each). The tests will cover material discussed in class and techniques learned by doing the homework. Several different types of questions will be used on quizzes and tests, including problems, definitions and essay questions.

C. Final exam (300 points). The class will have a one hour final exam during finals week.

Grading Scale

A	=	93.0+
A-	=	90.0 – 92.9
B+	=	87.0 – 89.9
B	=	83.0 – 86.9
B-	=	80.0 – 82.9
C+	=	77.0 – 79.9
C	=	73.0 – 76.9
C-	=	70.0 – 72.9
D+	=	67.0 – 69.9
D	=	63.0 – 66.9
D-	=	60.0 – 62.9
F	=	below 60.0

I consider myself a fair grader, but I do not believe in grade inflation. You do get the grade you earn. I do not curve.

Course Material

no text required, notes handed out in class

Students with Disabilities

Accommodations are collaborative efforts between students, faculty and Services for Students with Disabilities (SSD). Students with accommodations approved through SSD are responsible for contacting the faculty member in charge of the course prior to or during the first week of the term to discuss accommodations. Students who believe they are eligible for accommodations but who have not yet obtained approval through SSD should contact SSD immediately at 737-4098.

Expectations for Student Conduct

Expectations for student conduct, cheating policies, etc. can be found at <http://oregonstate.edu/admin/stucon/achon.htm>

If you cheat on exams, you will receive an F. I will not negotiate. Example: In another course, a student had his class notes open on the floor. He assured me that he had not looked at them since he started the exam but merely forgot to close them. Needless to say, he failed the course. I have no tolerance for cheating, and I do not hesitate to punish those who do.

Course Outline

<u>Date</u>	<u>Topics/Assignments</u>
Feb 13	– Introduction, History, Standardization, Speculating and Hedging.
Feb 20	– HW 1 due. More on hedging, Hedging effectiveness.
Feb 27	– HW 2 due. Quiz 1. Basis, Selecting contract months, Input-Output hedge.
Mar 5	– HW 3 due. Quiz 2. Strategies for buying and selling agricultural futures, Rolling hedge.
Mar 12	– HW 4 due. Quiz 3. Cost of carry, Convenience yield, Review.
Mar 19	– noon, location Weniger 287.