



Western Technical College

## 10006172 Agricultural Commodity Marketing

### Course Outcome Summary

#### Course Information

<b>Description</b>	Operation and use of agricultural commodity markets and institutions as applied to enterprise and firm risk management. Cash markets; futures markets and futures option markets; basis; hedging and forward pricing; price discovery; fundamental analysis; technical analysis and risk management strategies. Activities of commodity futures exchanges; the mechanics of trading futures contracts; the use of futures trading for hedging and forward pricing; and options, basis behavior, and hedging strategies for selected commodities.
<b>Career Cluster</b>	Agriculture, Food and Natural Resources
<b>Instructional Level</b>	Associate Degree Courses
<b>Total Credits</b>	3
<b>Total Hours</b>	54

#### Textbooks

No textbook required.

#### Success Abilities

1. Cultivate Passion: Expand a Growth-Mindset
2. Live Responsibly: Develop Resilience
3. Live Responsibly: Foster Accountability

#### Program Outcomes

1. Investigate opportunities in Agribusiness.
2. Apply relevant technologies.
3. Apply economic and marketing strategies to Agribusiness Industry.
4. Develop an Agribusiness Management Plan.
5. Create a Crop Management Plan.

6. Create a Livestock Management Plan.

## Course Competencies

### 1. Analyze risk assumed by the producer of an agricultural commodity.

#### Assessment Strategies

- 1.1. Project

#### Criteria

*You will know you are successful when*

- 1.1. you explain financial risks of agriculture operations and ways to manage financial risk.
- 1.2. you explain institutional risks of agriculture operations and ways to manage this risk.
- 1.3. you explain personal risks of agriculture operations and ways to manage this risk.
- 1.4. you explain production risks of agriculture operations and ways to manage this risk.
- 1.5. you explain price risks of agriculture operations and ways to manage this risk.

#### Learning Objectives

- 1.a. Examine financial value of agricultural commodities.
- 1.b. Calculate commodity values on a per acre and per farm basis.
- 1.c. Summarize methods of product destruction.
- 1.d. Summarize methods of product deterioration.
- 1.e. Explain exposure risk of sale price without input cost security.
- 1.f. Explain exposure risk of input cost without sale price security.

### 2. Assess cash markets for agricultural commodities.

#### Assessment Strategies

- 2.1. Project

#### Criteria

*You will know you are successful when*

- 2.1. you describe a cash contract and its advantages and disadvantages
- 2.2. you describe a forward cash contract and its advantages and disadvantages
- 2.3. you complete a cash sale transaction for crops
- 2.4. you complete a cash sale transaction for livestock

#### Learning Objectives

- 2.a. Summarize cash markets available to grain producers.
- 2.b. Summarize cash markets available to forage producers.
- 2.c. Summarize cash markets available to livestock producers.
- 2.d. Summarize cash markets available to dairy producers.
- 2.e. Explain importance of auction method of marketing in agriculture.

### 3. Summarize Futures Markets terminology and practices.

#### Assessment Strategies

- 3.1. Simulation

#### Criteria

*You will know you are successful when*

- 3.1. you describe a Futures Only/Hedge to Arrive (HTA) contract and its advantages and disadvantages
- 3.2. you complete a Hedge-to-Arrive transaction for crops in a marketing simulation
- 3.3. you define a futures contract
- 3.4. you describe futures market participants
- 3.5. you identify contract order components
- 3.6. you summarize how futures contracts are settled
- 3.7. you initiate a futures contract for crops in a simulation
- 3.8. you initiate a futures contract for livestock in a simulation

#### Learning Objectives

- 3.a. Generate list of commodities with ability to set a future price.
- 3.b. Identify contract sizes for various agricultural commodities.
- 3.c. Calculate values for various commodity contracts.
- 3.d. Identify delivery months of various commodities.
- 3.e. Explain market positioning of bull and bear.
- 3.f. Explain market positioning of short and long.
- 3.g. Calculate margin account requirements.
- 3.h. Describe forward contracting.

**4. Interpret basis levels for agricultural commodities.**

**Assessment Strategies**

- 4.1. Project
- 4.2. Simulation

**Criteria**

*You will know you are successful when*

- 4.1. you define basis
- 4.2. you identify factors that influence basis levels
- 4.3. you describe a basis contract and its advantages and disadvantages
- 4.4. you complete a basis contract for crops

**Learning Objectives**

- 4.a. Describe basis as the term relates to commodity marketing.
- 4.b. Identify factors driving basis values.
- 4.c. Examine basis values in grain products.
- 4.d. Examine basis values in livestock products.
- 4.e. Research basis levels in various geographic locations.
- 4.f. Contrast basis levels with seasonal price patterns.

**5. Summarize Options Markets terminology and practices.**

**Assessment Strategies**

- 5.1. Project
- 5.2. Simulation

**Criteria**

*You will know you are successful when*

- 5.1. you define an option and terms associated with option contracts
- 5.2. you describe the purpose of put and call options
- 5.3. you explain how option premiums are determined
- 5.4. you describe how option contracts are settled
- 5.5. you initiate an options contract for crops in a simulation
- 5.6. you initiate an options contract for livestock in a simulation

**Learning Objectives**

- 5.a. Summarize option contracts on agricultural commodities.
- 5.b. Prescribe applications of using call option contracts.
- 5.c. Prescribe applications of using put option contracts.
- 5.d. Explain open interest levels in commodity marketing.
- 5.e. Calculate movement in value of various commodity options.

**6. Prepare fundamental analysis of an agricultural commodity.**

**Assessment Strategies**

- 6.1. Project

**Criteria**

*You will know you are successful when*

- 6.1. you summarize the law of supply and demand
- 6.2. you identify factors that influence supply & demand for agricultural markets
- 6.3. you explain price-discovery

- 6.4. you identify important crop and livestock reports
- 6.5. you interpret important crop and livestock reports

#### **Learning Objectives**

- 6.a. Summarize market price influencers classified as fundamental indicators.
- 6.b. Analyze market for supply side price influencing factors.
- 6.c. Analyze market for demand side price influencing factors.
- 6.d. Identify leading indicators of market price direction.
- 6.e. Assess commodity market for level of fundamental price influence.
- 6.f. Create a fundamental analysis of a given agricultural commodity.

### **7. Evaluate information resources for commodity marketing.**

#### **Assessment Strategies**

- 7.1. Project

#### **Criteria**

*You will know you are successful when*

- 7.1. you define commodities marketing
- 7.2. you explain the cash and futures market relationship
- 7.3. you describe the evolution of commodities exchanges

#### **Learning Objectives**

- 7.a. Identify sources of current market prices.
- 7.b. Explore sources of market price predictions.
- 7.c. Explore information available from Federal government, NASS, etc.
- 7.d. Summarize services available from private market advisory services.
- 7.e. Explore sources of commodity marketing services in the community.

### **8. Analyze marketing resources available through USDA Farm Bill programs.**

#### **Assessment Strategies**

- 8.1. Project
- 8.2. Simulation

#### **Criteria**

*You will know you are successful when*

- 8.1. you identify crop insurance products
- 8.2. you calculate crop insurance payments
- 8.3. you create a crop insurance policy in a simulation

#### **Learning Objectives**

- 8.a. Outline commodity related marketing programs by commodity.
- 8.b. Summarize marketing programs offered by CCC – Commodity Credit Corporation.
- 8.c. Calculate producer payments offered by ARC and PLC programs.
- 8.d. Calculate producer payments offered by DMPP program.
- 8.e. Calculate producer payments offered by LGM-Dairy program.