

## Syllabus for ABIZ 0730 (A01) FINANCIAL RISK MANAGEMENT

Fall Term 2019

**Lectures:** Ag. Bldg. 134; Tues 4:30pm-7:15pm – Some materials shared on **UMLearn**

**Lecturer:** Derek Brewin, 356 Agriculture Building, Phone: 474-8702

Email: Derek.Brewin@umanitoba.ca, Office hours: Monday 3-5pm (No office hours Oct. 14, Nov. 11 or Dec. 2) or by apt. The best way to confirm a meeting is by email, but call if you have not had a reply in 2 business days.

**Purpose and Objectives:** Various approaches to managing market risk will be studied. This includes forward pricing, hedging and options along with insurance, diversification and choices to manage production risk.

Prerequisites: ABIZ 0470; Pre-or Corequisite: ABIZ 0450.

In managing any business, you must plan for, evaluate and know how to control the risks your firm takes with regard to production, prices and other factors. The main goal of this class is to develop the skills to properly evaluate risks and familiarize the student with various risk management options including hedging, insurance and diversification. This will include the following topics:

- probability
- futures markets, hedging and basis risks
- planning under risk
- diversification

**Grading:** Grades will be based on a mid-term exam, a final exam, quizzes and assignments.

Attendance and Participation	8%
Lecture Quizzes	9%
Mid-term	20%
Take Home Assignments	12%
Simulated Speculation	10%
Risk Management Plan	15%
Final	<u>26%</u>
	100%

The student highest grade in this class usually gets an A+ as do other students close to that top grade. 85% is normally required for an A, 75% for a B and 65% for a C. Grades below 50% will get an F.

**Lecturing Plan:** This schedule is subject to change at the discretion of the instructor and/or based on the learning needs of the students but such changes are subject to Section 2.8 of the – [ROASS](#)- Procedure. In the beginning of the semester we will review the basics of probability and review the most important commodity exchanges in agriculture. We will also briefly review the major sources of risk for Canadian Agriculture and how markets and production inject risk into normal farm operations. These topics will be tested in the Midterm in **mid** November feedback prior to the Voluntary Withdrawal date. The lectures will then go on to introduce insurance and diversification strategies and offer relevant applications of these basic tools to specific problems. The final exam will be comprehensive, but will focus on applying risk management tools. Two in-class quizzes will be held: one on opening day (worth 1% for any attempt) and the other in **late**-October. Take home assignments will be assigned initially on a biweekly basis. Working together is allowed for these assignments. **Late assignments will be given a grade of zero unless documented health or family matters are provided** within one week of the missed assignment.

Attendance and Participation: iClicker Cloud/Reef will be used in lectures to measure participation and understanding. Several multiple choice questions will be asked per lecture. Students are to respond individually via iClicker Cloud/Reef Phone or Web App. Each question will be out of two marks: 1 for answering anything at all and 1 for responding with the correct answer. Students need to create an iClicker account, register, and acquire a subscription. \*iClicker will be used starting in the second class but will only count for marks starting Tuesday October 9th. Marking will be as follows:

- If a student obtains 75% or more of the total iClicker marks: 8/8
- If a student obtains 50%-74% of the total iClicker marks: 5/8
- If the student obtains 0%-49% of the total iClicker marks: 0/8

**Simulated Speculation:** In late October, students will be required to begin their Speculation Plan. Eventually this will include at least two proposed trades in eligible commodity exchanges. All quotes will be based on prices from quotes at: <http://futures.tradingcharts.com/menu.html>. The grade for the plan will be based on:

a) (1/3) the financial performance of the speculation relative to the rest of the class from late October to early December.

b) (2/3) the written reasons for the trades made (these will be due in Mid November).

**Risk Management Plan:** You will be required to prepare a report listing the most important risks a case firm will face and your plans regarding the management of one of these risks. The case firm can be any firm including the farms used for the Management Planning Project.

**Suggested Text:** Exams will be based on notes given in class, but a good hedge to poor note taking is: *Agricultural Risk Management*, by B. Fleisher.

### Referencing Style

When using outside sources, your assignments should use the APA (American Psychological Association) reference style:

For an article:

Sexton, R. J. (2013). Market power, misconceptions, and modern agricultural markets. *American Journal of Agricultural Economics*, 95(2), 209-219.

Online Sources:

Manitoba Agriculture, Food and Rural Development (MAFRD). (2016). Guidelines for Estimating Crop Production Costs - 2016. [http://www.gov.mb.ca/agriculture/business-and-economics/financial-management/pubs/cop\\_crop\\_production.pdf](http://www.gov.mb.ca/agriculture/business-and-economics/financial-management/pubs/cop_crop_production.pdf) (accessed May 2, 2016).

Books:

Intriligator, M. (1972) *Mathematical Optimization and Economic Theory*. Prentice Hall, Englewood Cliffs, N.J.

**Academic Honesty:** All university of Manitoba guidelines for academic honesty apply in this class. Students are expected to do their own assignments and exams. Plagiarism or any other form of cheating in examinations, or term tests is subject to serious academic penalty. A student found guilty of contributing to cheating in examinations, term tests or assignments is also subject to serious academic penalty (see the University of Manitoba's Undergraduate calendar under General Academic Regulations and Requirements).

### Using Copyrighted Material

Please respect copyright. We will use copyrighted content in this course. I have ensured that the content I use is appropriately acknowledged and is copied in accordance with copyright laws and University guidelines. Copyrighted works, including those created by me, are made available for private study and research and must not be distributed in any format without permission. Do not upload copyrighted works to a learning management system (such as UM Learn), or any website, unless an exception to the *Copyright Act* applies or written permission has been confirmed. For more information, see the University's Copyright Office website at <http://umanitoba.ca/copyright/> or contact [um\\_copyright@umanitoba.ca](mailto:um_copyright@umanitoba.ca). The University of Manitoba and I hold copyright over the course materials, presentations and lectures which form part of this course. No audio or video recording of lectures or presentations is allowed in any format, openly or surreptitiously, in whole or in part without my permission. Course materials (both paper and digital) are for the participant's private study and research.

## UNIVERSITY SUPPORT OFFICES & POLICIES

A list of academic supports available to Students, such as the Academic Learning Centre, Libraries, and other supports as may be appropriate including:

### Writing and Learning Support

The Academic Learning Centre (ALC) offers services that may be helpful to you throughout your academic program. Through the ALC, you can meet with a learning specialist to discuss concerns such as time management, learning strategies, and test-taking strategies. The ALC also offers peer supported study groups called Supplemental Instruction (SI) for certain courses that students have typically found difficult. In these study groups, students have opportunities to ask questions, compare notes, discuss content, solve practice problems, and develop new study strategies in a group-learning format.

You can also meet one-to-one with a writing tutor who can give you feedback at any stage of the writing process, whether you are just beginning to work on a written assignment or already have a draft. If you are interested in meeting with a writing tutor, reserve your appointment two to three days in advance of the time you would like to meet. Also, plan to meet with a writing tutor a few days before your paper is due so that you have time to work with the tutor's feedback.

These Academic Learning Centre services are free for U of M students. For more information, please visit the Academic Learning Centre website at: <http://umanitoba.ca/student/academiclearning/>

You can also contact the Academic Learning Centre by calling 204-480-1481 or by visiting 205 Tier Building.

### University of Manitoba Libraries (UML)

As the primary contact for all research needs, your liaison librarian can play a vital role when completing academic papers and assignments. Liaisons can answer questions about managing citations, or locating appropriate resources, and will address any other concerns you may have, regarding the research process. Liaisons can be contacted by email or phone, and are also available to meet with you in-person. A complete list of liaison librarians can be found by subject: <http://bit.ly/WcEbA1> or name: <http://bit.ly/1tJ0bB4>. In addition, general library assistance is provided in person at 19 University Libraries, located on both the Fort Garry and Bannatyne campuses, as well as in many Winnipeg hospitals. For a listing of all libraries, please consult the following: <http://bit.ly/1sXe6RA>. When working remotely, students can also receive help online, via the Ask-a-Librarian chat found on the Libraries' homepage: [www.umanitoba.ca/libraries](http://www.umanitoba.ca/libraries).

### For 24/7 mental health support, contact the Mobile Crisis Service at 204-940-1781

#### Student Counselling Centre (SCC)

Contact SCC if you are concerned about any aspect of your mental health, including anxiety, stress, or depression, or for help with relationships or other life concerns. SCC offers crisis services as well as individual, couple, and group counselling. *Student Counselling Centre:* <http://umanitoba.ca/student/counselling/index.html>  
474 University Centre or S207 Medical Services  
(204) 474-8592

#### Student Support Case Management (SSCM)

Contact the Student Support Case Management team if you are concerned about yourself or another student and don't know where to turn. SSCM helps connect students with on and off campus resources, provides safety planning, and offers other supports, including consultation, educational workshops, and referral to the STATIS threat assessment team.

*Student Support Intake Assistant* <http://umanitoba.ca/student/case-manager/index.html>

520 University Centre  
(204) 474-7423

#### University Health Service (UHS)

Contact UHS for any medical concerns, including mental health problems. UHS offers a full range of medical services to students, including psychiatric consultation.

University Health Service <http://umanitoba.ca/student/health/>  
104 University Centre, Fort Garry Campus  
(204) 474-8411 (Business hours or after hours/urgent calls)

**Health and Wellness**

Contact our Health and Wellness Educator if you are interested in information on a broad range of health topics, including physical and mental health concerns, alcohol and substance use harms, and sexual assault.

*Health and Wellness Educator* <http://umanitoba.ca/student/health-wellness/welcome.html>

[Katie.Kutryk@umanitoba.ca](mailto:Katie.Kutryk@umanitoba.ca)

469 University Centre  
(204) 295-9032

**Live Well @ UofM**

For comprehensive information about the full range of health and wellness resources available on campus, visit the Live Well @ UofM site:

<http://umanitoba.ca/student/livewell/index.html>