

Syllabus for ABIZ 0730 FINANCIAL RISK MANAGEMENT
Fall Term 2011

Lectures: Room 219 Animal Science Building; Thu 4:00 pm-6:30pm
Lecturer: Derek Brewin, 378 Agriculture Building, Phone: 474-8702
Email: derek_brewin@umanitoba.ca, Office hours: Monday 3-5pm or by appt.

Objectives: In managing any business, you must plan for, evaluate and know how to control the risks your firm takes with regard to both production and prices. 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 and hedging
- storage, transportation and time - basis risks
- planning under risk
- diversification
- general insurance
- crop insurance

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

Mid-term	20%
Lecture Quizzes	12%
Take Home Assignments	18%
Simulated Speculation	10%
Risk Management Plan	15%
Final	<u>25%</u>
	100%

Lecturing Plan: In the beginning of the semester we will review the basics of hedging and probability and review the most important commodity exchanges in agriculture. We will also briefly review the major markets for Canadian Agriculture and how these markets inject risk into normal farm operations. These topics will be tested in the Midterm in late October or early November. 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. Three in-class quizzes will be held: one on opening day (worth 2% for any attempt) and the others in mid October and late November. 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.

Simulated Speculation: In late October, students will be required to draft a Speculation Plan that includes at least two proposed trades in eligible exchanges. All quotes will be based on the charts/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.

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 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.

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).