Syllabus for ABIZ 0730 (A01) FINANCIAL RISK MANAGEMENT
Fall Term 2019

Lectures: Ag. Bldg. 134; Tues 4:30pm-7:15pm
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.

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.

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<thead>
<tr>
<th>Component</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Attendance and Participation</td>
<td>8%</td>
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<tr>
<td>Lecture Quizzes</td>
<td>9%</td>
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<tr>
<td>Mid-term</td>
<td>20%</td>
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<td>Take Home Assignments</td>
<td>12%</td>
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<td>Simulated Speculation</td>
<td>10%</td>
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<td>Risk Management Plan</td>
<td>15%</td>
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<td>Final</td>
<td>26%</td>
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<td>100%</td>
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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 early November with 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 mid-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](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:

Online Sources:

Books:

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).

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