

Agricultural and Consumer Economics 427
Commodity Price Analysis
Spring 2009

Professor

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Office Hours

My office hours will be 11-12 am Monday, Wednesday, and Friday (after class). I try to make myself as available as possible during other times. You are welcome to stop by. However, it is best to make an appointment by phone or email.

Course Times

10:00-10:48 am Monday, Wednesday, and Friday in room 313 Mumford Hall.

Course Overview

Commodity prices are important economically because they strongly influence farm income, consumer expenditures, and in many countries, the level of export earnings. For nearly half of the world's population, their income is determined primarily by the price received for commodities. In addition, tremendous resources, both in the private and public sector, are devoted to analyzing and forecasting commodity prices.

The purpose of this course is to provide a comprehensive and in-depth survey of commodity price analysis. Analytical techniques and practical applications are emphasized. Finally, to emphasize the relevance of commodity price analysis and to spark student interest, the subject is considered largely from the perspective of forecasting.

Teaching Methods

A variety of teaching methods will be used in the course. These include: 1) lecture by the instructor, 2) individual and group in-class discussion, 3) individual and group in-class exercises, 4) guest lectures, 5) homework, and 6) examinations. There also will be an emphasis on "real-world" perspectives, so we will have a number of guest speakers during the semester.

Teaching Objectives

As the instructor, I will strive to:

- present clear course objectives,
- be prepared,
- convey a sense of priority by identifying important material,
- present the material in an organized, understandable manner, and lecture at a comfortable rate in order to achieve a basic level of knowledge,
- give adequate time for students to complete assignments and remind students of due dates,
- explain homework assignments thoroughly,
- give fair exams and grade in a fair and consistent manner,
- be accessible to students outside of class,
- be understanding and helpful when students are uncertain of the material,
- be open to questions and encourage group discussions, and
- keep the class upbeat, enthusiastic, and fun.

Course Website

The website for this course can be accessed by visiting the *Compass* site at,

<http://compass.illinois.edu>.

In addition to announcements and copies of homework assignments, pdf files of class lecture notes will be available at the website. I will try to have these available about a week in advance of a lecture. However, no guarantees!! ***Please note that the students are required to bring a copy of the lecture notes with them to class.***

Required Readings

Required readings will be either passed out in class or available for download from the web. Optional readings also may be recommended throughout the semester.

Homework

There will be 5-6 homework assignments during the semester. In many ways, these assignments form the core of the course. As one author puts it, "The only way to learn to do price analysis is to do price analysis!" Some assignments will be more analytically-oriented, emphasizing statistical concepts, while others will emphasize the use of sample data and application of forecasting methods. All will involve fairly intensive use of the *Excel* spreadsheet program. Students are expected to do the assignments individually. To assist students with each of the homework assignments, an optional help session will be held in the computer lab in the basement of LIAC. Dates for these help sessions will be announced in class when an assignment is handed out.

Late homework assignments will be penalized with a 10% reduction (out of 100% for the assignment) per business day.

Quizzes

Weekly quizzes will be given during most non-exam weeks on Friday. The quizzes will take only 10-15 minutes and will provide students with the opportunity to apply the material presented during the week. The quiz questions will be similar to the type of questions asked on class examinations. The lowest two quiz scores will be dropped when computing final grades for the course. **There are no excused absences for quizzes.**

Examinations

There will be two exams during the semester and a final examination at the end of the course. The two exams during the semester will be about 55 minutes in length and will not be cumulative. The final will be comprehensive. All exams consist of true/false, multiple choice, and problem/short essay questions. Copies of old exams are not available, as students are required to return graded exams to me immediately after they are handed back and discussed in class. My policy is to return and discuss examinations in the class period following the exam period. Students may review the exams during the semester in my office.

The tentative schedule of examinations is as follows:

- Exam 1..... Friday, February 20th**
- Exam 2..... Friday, April 10th**
- Final.....Monday, May 11th (8:00-11:00am)**

Advance notification is required if an exam will be missed. If advance notification is not given, the student will automatically receive a score of zero on the exam. Written excuses from a doctor are required for an excused absence in the case of an illness. All other emergency excused absences also require written excuses from a third-party that can verify the situation.

There will also be a help session scheduled outside of regular class hours before Exam 1, Exam 2 and the Final.

Attendance

Attendance is expected (and hopefully beneficial). Attendance will be taken on randomly-selected class periods. In addition, several in-class exercises will be given. Note that attendance, class participation, and in-class exercises are worth 5% of your grade. If you are unable to attend class, make sure you obtain lecture notes and any handouts from someone, since materials may be covered that are not in the readings.

Absences

Please let me know in advance (if possible) if you will miss a class due to an excused absence such as 1) illness, 2) serious illness or death in your immediate family, 3) University-sanctioned field trip, or 4) religious holiday.

Grading

The course grade will be based on the following weights:

Exams during Semester	40%
Final Examination	30%
Quizzes	5%
Homework	20%
Attendance, Participation, In-Class Exercises	5%

If you disagree with a grade on a quiz, exam, the final, or a homework assignment, written justification shall be submitted to the instructor.

Final Grading Scale:

A+	96.7 - 100	C+	76.7 - 79.9
A	93.3 - 96.6	C	73.3 - 76.6
A-	90.0 - 93.2	C-	70.0 - 73.2
B+	86.7 - 89.9	D+	66.7 - 69.9
B	83.3 - 86.6	D	63.3 - 66.6
B-	80.0 - 83.2	D-	60.0 - 63.2
		F	59.9 and below

There may be a curve depending on the overall performance of the class.

Cheating and Plagiarism

All University policies will be strictly followed. Don't do it.

Students with Special Needs

I will do my best to accommodate students with special needs. Please make sure that you contact me early in the semester, definitely before the first exam.

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Course Outline

Lecture 1: Introduction to Commodity Price Analysis and Forecasting

Lecture 2: Economic Data and Graphing

Lecture 3: Fundamental Analysis of Crop Prices – The Balance Sheet Approach

Lecture 4: Statistics Review and Trend Models

Lecture 5: Forecasting Crop Prices Using Fundamental Analysis: Ending Stock Models

Lecture 6: Forecasting Crop Prices Using Fundamental Analysis: Maximum Bid Price Models

Lecture 7: Forecasting Crop Prices Based on Futures Prices

Lecture 8: Forecasting the Supply of Crops

Lecture 9: Market Reaction to Crop Reports

Lecture 10: Forecasting the Use of Crops

Lecture 11: Technical Analysis – Charting

Lecture 12: Technical Analysis – Moving Averages and Other Technical Indicators

Lecture 13: Market Efficiency and Forecasting Commodity Prices

Lecture 14: Long-Term Forecasting