

**EA 310**  
**Agricultural Marketing, Spring 2006**

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**Office Hours:** Monday 10-11:30  
Thursday 9-10:30  
(and by appointment)

**Lectures:** MWF 12:10-1:00 pm, Clark C 364 (Section 1)  
MWF 1:10-2:00 pm, Clark C 250 (Section 2)

**REQUIRED TEXT:**

*Economics of Agricultural Markets* by Ronald A. Schrimper, Prentice Hall, 2001  
*Wall Street Journal*: In class sign-up  
Computer Simulation: Cost approximately \$20 per group

Access to the internet: Handouts will be posted on WebCT: [www.webct.colostate.edu](http://www.webct.colostate.edu)

***If you do not check your WebCT account on a regular basis please be sure to forward your emails from WebCT as I will send class announcements through this system.***

**COURSE OBJECTIVES:**

The primary objective is to foster development and understanding of key agricultural marketing issues and concerns, equip the student with analytical skills that may be utilized to evaluate different marketing problems and programs from both the industry and firm perspective. This course will provide you with an understanding of economic concepts that will be employed for analyzing issues in agricultural marketing. Specific course objectives include:

- ❖ Foster an understanding of the major structural characteristics of the U.S. agribusiness system and the significance of these characteristics on marketing decisions.
- ❖ Gain knowledge of the supply chain, its key players, and organization. In addition, revisit fundamental supply and demand relationships and elasticity concepts.
- ❖ Provide students with an understanding of the mechanics and value of futures market for speculators and hedgers and in particular learn how this market can be used to reduce business risk.
- ❖ Learn the basic concepts of market research and analysis including: structuring and developing a marketing plan and applying these tools to marketing issues facing agribusiness managers.
- ❖ Develop and enhancing skills in critical thinking, teamwork, oral and written communication skills.

## **Course Outline:**

### I. Introduction and Overview of Food Marketing (Chapters 1, 2, and Course Notes)

- A. General Course Outline
- B. Introduction to Traditional and Business Marketing

### II. Agricultural Product Markets and Supply Chain Management (Course Notes)

- A. The Supply/Demand Chain
- B. Vertical and Horizontal Integration
- C. The Role and Function of Middlemen
- D. Agricultural Marketing Organizations

### III. Demand and Supply (Chapters 4 and 5)

- A. The Law of Demand
- B. Demand Shifters
- C. Elasticity of Demand
- D. The Law of Supply
- E. Supply Shifters

## **QUIZ 1**

### IV. Introduction to Futures (Chapter 14, Course Notes)

- A. What are Futures?
  - a. Forward vs. Futures vs. Deferred Delivery Contracts
- B. Characteristics of the Futures Market
  - a. Brief History of Futures Markets in U.S. and World
  - b. Present State and Outlook for Futures Markets
  - c. Economic Importance
- C. Key Participants
  - a. Hedgers, Speculators, Arbitrageurs
- D. Institutions and Regulations
  - a. CFTC, CBOT, CME

### V. Futures Contract Fundamentals (Chapter 14, Course Notes)

- A. Types of Hedging Positions: Long and Short
- B. Different Types of Orders
- C. Clearinghouse Functions
- D. Interpreting Price Movements
- E. Trading Practice

### VI. Decision Making Tools (Chapter 14, Course Notes)

- A. Fundamental Analysis (Forecasting)
  - a. Efficiency of Futures Markets
  - b. Fundamental Approach to Price Analysis
  - c. Commodities: Weather Patterns, Input Costs, Policy, Seasonality
  - d. Sources of Market Information
- B. Technical (Historical) Market Analysis
  - a. Trading Volume
  - b. Open Interest
  - c. Bar Charts: Creation and Trend Finding

## **QUIZ 2**

VII. The Role of Prices in Product Marketing (Chapter 7 and Course Notes)

- A. Buyer/Sellers Perspectives
- B. Perfect, Imperfect Competition, and Price Flexibility
  - a. Farmer Market Power Tools
- C. Pricing Objectives and Strategies: Business and Consumer Markets
- D. Product Life Cycle: Prices, Competition, and Consumer Response
- E. Legal and Ethical Issues in Pricing Strategy

VIII. Market Research and Plans (Course Notes)

- A. Gathering and Analyzing Product Market Information
- B. Structure and Development of the Marketing Plan
- C. SWOT Analysis

**QUIZ 3**

- D. Internal and External Environmental Analysis
- E. The 4 P's of Marketing

IX. Product Development, Differentiation, and Promotion (Course Notes)

- A. Advertising and Personal Selling
- B. Public Relations and Sales Promotions
- C. Product, Service, and Brand Creation and Management Strategies

X. Group Presentations of Marketing Plans

**FINAL**      Monday May 8<sup>th</sup> 1:30-3:30 pm (Section 1)  
                  Thursday May 11<sup>th</sup> 1:30-3:30 pm (Section 2)

## **COURSE STRUCTURE:**

**Exams:** There are 4 quizzes including the final. Quizzes may include multiple choice, short-answer, and problem-solving questions.

**Simulation:** There will be a group (or individual) computer simulation project that will provide you with experience speculating in the futures market. For this project you will report on how well you or your group performed; why did you lose or make money; what economic conditions affected your success or failure in the market place. If working in a group, please only turn in one report.

**Agribusiness Marketing Plan:** Using concepts presented in this course your group will write and present a marketing plan to potential investors (the class) that pitches a new agricultural product or service or your group's choosing.

**Attendance:** You will receive points for attendance through in-class activities. There is no make-up procedure for classes missed; for example, if you are not in class when a quiz is given, you will not be able to receive any points for that day.

**Bonus Points:** Throughout the term, there will be opportunities to earn up to 30 bonus points. Bonus point activities will include joining the Agribusiness Association student club, attending field trips, and satisfactorily completing announced bonus assignments.

## **GRADING:**

Quizzes:	450 points
Final	200 points
Simulation Project	100 points
Marketing Report, Presentation, and Assignments	200 points
Attendance/Participation	<u>50 points</u>
<b>Total</b>	<b>1,000 points</b>
<i>Bonus Points</i>	<i>30 points</i>

## SIMULATION PROJECT

### Specifics:

Point Value: 100 points  
Individual or Groups  $\leq$  3  
Due March 10<sup>th</sup> in class

### I. OBJECTIVES:

1. To acquaint you with sources of market and price information available for farm products.
2. To assist you in understanding the role and operation of agricultural commodity markets.
3. To give you practical experience in commodity market trading.

### II. COMMODITIES AND PRICES USED IN THIS TERM PROJECT:

For this term project you may trade any of the futures contracts listed on the Stocktrak page [www.stocktrak.com](http://www.stocktrak.com); however, you will have to do an analysis of your transactions, so it is recommended that you trade in commodities for which you can find information and for which you have an interest. Be sure to first go to [www.stocktrak.com](http://www.stocktrak.com) to get information about registering.

### III. SIMULATION PROJECT REQUIREMENTS:

#### A. General Requirements:

1. There are *two components* of this part of your term project.
  - a. The first component (Part I) gives you practice trading in the futures market as a speculator would trade.
  - b. The second component (Part II) requires that you look for and determine the factors that contributed to price changes and to the gains and/or losses that you incurred as a speculator. You will work in teams of one, two, or three. No more than three members in a group will be permitted.
2. You will want to approach the trading with the objective of making the greatest amount of money since this is the objective of speculators in the market. However, remember that the objective of the project is for you to learn about the role and operation of agricultural commodity markets. The focus of the evaluation of your term project will be on your analysis of the markets. The team that earns the greatest return, however, will receive 10 bonus points for the final project grade.

#### B. Specific Requirements:

1. Trade in **ANY OR ALL** of the commodities during the period January 23 to March 10. (See the "Trading Instructions" listed below to determine how to go about trading.) Your final report will include all the trades that you made during the semester.
2. Maintain a journal of articles about the economy (*WSJ*, internet, journals, etc.).
3. Evaluate your trades to determine why you made or lost money.

**C. Written Reports:** In four to five pages (double-spaced, typewritten, font size 12, left margin of 1 and ¼ inches and 1 inch right margin):

- a. Write a summary of your trading experiences
- b. The reasons why you made or lost money; be sure and relate national and international events to changes in the prices of your futures contracts and thus to the profits or losses that you made. **Failure to include a market and economic analysis will result in a 25 point deduction.**

#### **IV. TRADING INSTRUCTIONS:**

1. Go to [www.stocktrak.com](http://www.stocktrak.com) for your registration materials and trading rules.
2. Your group will have a common password and account number. As instructor, I will have access to your trades and will be able to monitor your progress through the game.
3. During the semester trading period, you will be able to trade in any of the commodities listed in Stocktrak.
4. You are required to make a **minimum of ten round turns**. (NOTE: This means that you must make at least ten buy and ten sell decisions.) The purchase or sale of two contracts of corn on a certain day is one, not two, decisions. Trade as often as you like; ten is just the minimum; the more you trade, the more comfortable you will become with futures contracts.
5. You may start trading on January 23rd but you must open your first contract by February 1st (worth 5 points) and all trades must be completed by March 10.
6. You must complete approximately two trades (not round trades) each week if you are to complete your ten-trade requirement by March 10.
7. You will have an initial capital level of \$100,000 for trading. Out of this capital base you must pay commissions, post margin, and cover any losses.
8. You are not allowed to buy more capital.
9. You may hold up to 25% of your initial endowment in any one commodity.
10. Keep a record of all of your transactions for your personal use as you will be asked to summarize your trading results.

#### **Final Note:**

You are free to trade in any of futures contracts or options, and you may use limit orders, stop-loss orders, or spread orders, however, you are on your own for these. The class will focus on regular market orders and in agricultural futures and options using basic commodity examples.

## AGRIBUSINESS MARKETING PLAN

In order to gain a greater appreciation for and understanding of agribusiness marketing, each student is required to form a “market research” group with 4 fellow students. This group will analyze marketing data, present, and submit a marketing report. Students who have not indicated a preference by the group formation due date will be randomly assigned to groups of five total students. To ensure that all group members contribute to the project, your individual project grade will be the overall group project grade weighted by the average score (out of 100) that you receive from your teammates. Group member scores are due at the same time the project report is due (May 5<sup>th</sup>).

### Marketing Plan Requirements:

- (1) Develop an idea for a new/improved agricultural/consumer product or service to pitch to potential investors. The possibilities are ENDLESS, some products pitched by previous students include: gourmet flavored goat butter, an oral equine fly treatment, show cattle grooming kit, a beer delivery service, GMO-free and organic frozen meals, retractable lunge line, and a no-frills ranch truck. **Be creative! Have fun!** Your product or service may be marketed regionally, nationally, or internationally. You may assume that your group is a start-up company or part of an existing company or cooperative. Alternatively, you may choose to develop a marketing plan for a product/service of a small Colorado or a local Fort Collins business. Examples of agribusiness products that are available from local small companies include a specialty goat cheeses (Haystack Farms), micro-brew beer (Coppersmith’s), organic beef (Coleman Natural Meats), cashmere fiber and yarn (Marshall’s Organic Acres).
- (2) Develop a marketing plan for this product/service. Your marketing plan should explain why potential investors should financial support your idea. Your project should cover at least a 12-month marketing time frame.
- (3) Complete SWOT and Situational Analysis assignments (50 Points). Your group is responsible for submitting assignments periodically throughout the term. Be specific about how much your marketing strategy will cost and do not assume that financial resources are unlimited. Your recommendations should be realistic and based on SWOT and environmental analyses, marketing budget projections, and any market research your group has conducted.
- (4) Please bring team problems to my attention, the earlier the better. If problems affect work product but are not reported no grade accommodations will be made.
- (5) Prepare and present a formal marketing plan “pitch” in class using **PowerPoint**. The presentation and any handouts must be emailed Dr. Bond **24 hours** before the group is scheduled to present. Each group will have 15 minutes for their presentation and 5 minutes for class discussion. When preparing your presentation, assume that you are presenting to the top management of your firm or potential investors. Assume that without their support, you will not be able to move forward with your plan. Each member of your group **MUST** participate in the presentation.
- (6) Write and submit a formal marketing plan report (Due May 5<sup>th</sup> by 5p.m.). There is no limit to the number of pages, however, it is expected that most reports will range in length from 6-8 pages, typed double-spaced (excluding references and appendix material).

## **WRITTEN REPORT**

### Specifics:

Length 6-10 pages, Double Spaced

Due May 5<sup>th</sup> by 5 p.m.

To Clark B-329, Dr. Bond's Office

### Report Contents and Grading:

1. Cover Page 1 point  
-Include group name and individual participant's names
2. Table of Contents 2 points  
-Neatly and clearly describe report contents
3. Executive Summary 10 points  
-Introduce the reader to your firm and product
4. Marketing Goals and Objectives 10 points  
-Describe the quantitative objectives and qualitative goals of your marketing campaign, may refer to sales, profits, trade relationships or other metrics.  
-Present goals/objective in chronological order
5. Situation Analysis 15 points  
-Build on Situation Analysis worksheet to discuss the internal, customer, and external environment affecting the firm that will produce and market the new product you develop
6. SWOT Analysis 15 points  
-Build on SWOT worksheet to discuss strength, weaknesses, opportunities, and threats associated with marketing your new product/idea  
-Write out points in full sentences
7. Implementation Plan and Strategies 10 points  
-State the 4 P's associated  
-Be careful include to what pricing strategy your firm will use and why it is appropriate.  
-Also be sure to include what your primary advertising objective is, what execution style you will be using, and what media you will use.
8. Closing Summary 10 points  
-Present highlights of marketing plan  
-State specifically why investors should support your product
9. References/Credits 2 points  
-Provide references for any cited material  
-Give credit to any industry personnel you contacted for assistance

**TOTAL**

**75 points**

## **PRESENTATION**

### Specifics:

Length 15 minutes

Presentations on 4/28, 5/1, 5/3

Must use PowerPoint

Slide show and any handouts due to Dr. Bond **24** hours before presentation

All group members must contribute to the creation and presentation of the plan

Incorporate comments from “investors” and instructor into written report

### Presentation Content and Grading:

1. Content of Presentation 30 points
  - Presentation follows outline format of written report
  - Content Includes: Introduction, Executive Summary, Marketing Goals/Objectives, Situation Analysis, SWOT, Implementation Plan, Closing Summary, Credits
  
2. Professionalism of Presentation 15 points
  - e.g. Presenters make eye contact with audience, project voice, and display enthusiasm for their product/idea
  - Speaking notes are allowed and encouraged, however presenters should not read directly off of notes
  - Groups are encouraged to be creative in their delivery
  
3. Quality of Visuals and Demonstration Aids 15 points
  - Be sure to spell and grammar check presentations
  - Use readable font size and take care not to overcrowd slides
  - Students are encouraged to include pictures and/or bring in examples of own or similar products
  
4. Evidence of Team Work 15 points
  - Each group member actively participates in some portion of the presentation and/or preparation of the slide show

**TOTAL**

**75 points**