

AREC 408 Agricultural Finance (3 credits)

Spring 2015

Lecture: T/Th 8:00-9:15 AM, Behavioral Sciences 107

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Course Description

Monetary affairs of agribusiness and agricultural production emphasizing credit institutions and procurement, investment, and management.

Class Organization

The class is organized as a lecture-discussion. Student-instructor interaction through class participation is critical in understanding the materials presented and core concepts of the course. Lectures will be delivered via hand-written notes due to the amount of math calculations used in this class. Excel will be used for financial calculations. All excel templates will be uploaded on Canvas prior to class. Students are encouraged to bring a laptop to excel based lectures. Other materials and in-class worksheets will be distributed in-class on an as-needed basis. All problem sets will be provided on Canvas. There will be at least 5 problem sets, 3 midterm exams, and a cumulative final capital budgeting project all designed to reinforce the concepts discussed in class.

Prerequisites: AREC 305

Required Text: Barry, P.J, and P.N. Ellinger. *Financial Management in Agriculture*, 7th Ed. Pearson Prentice Hall, Upper Saddle River, NJ: 2012.

Course Objectives

The objectives of the course are:

1. Develop skills to understand, analyze, and communicate the financial standing of an Agribusiness firm.
2. Become better acquainted with how a firm's financial information are indicators of performance and how changes in performance result from the manager's allocation of resources.
3. Explore the role that debt financing plays in a firm's growth and solvency.
4. Characterize the financial risk in a firm and understand how balancing production activities might lead to risk mitigation via diversification.
5. Understand the credit evaluation process from the lender's perspective. Calculate loan payment schedules, loan interest rates, and examine the credit worthiness of the firm and pledged collateral.
6. Enhance critical thinking and decision-making skills.
7. Use technology, computers and quantitative models to make agricultural business decisions.

Tentative Grading Schedule

Your final grade is determined by homework, a capital budgeting project, mid-term exams, and a cumulative final capital budgeting project, and class participation. The points are assigned as follows:

Items	Percent
Mid-term Exams (3 @ 20%)	60%
Problem Sets (<i>at least 5</i>)	15%
Capital Budgeting Project	20%
Class Participation	5%
Total	100%

Grades are assigned approximately as:

Grade	Percent
A	<94%
A-	90-93.9%
B+	87-89.9%
B	84-86.9%
B-	80-83.9%
C+	77-79.9%
C	70-76.9%
D	60-69.9%
F	<60%

There will be no opportunities for “extra credit” in this course. Your grade is completely determined by the effort you put forth.

Exams (60%)

Three semester exams and a cumulative final examination will be given. The *tentative* semester examination dates are **Feb. 12, Mar. 12, and Apr. 30th**. The final exam time period is **May 14, 6:20-8:20 PM**. Exam dates may be changed should the university be closed for a weather-related event. You must contact me as soon as possible if you have a conflict with examination dates. You must make arrangements to write an exam prior to an excused absence, if you contact me while the exam is in progress or after the exam has taken place you will receive a score of zero. The final exam must be taken on the University-assigned date. Absences for exams will be excused only as outlined by university policies. The use of cellular phones, PDAs, laptops or other electronic devices is not permitted during quizzes or exams.

The final exam schedule is available at: <http://www.registrar.colostate.edu/spring-final-exam-schedule>

Problem Sets (15%)

There will be *at least 5* homework problem sets assigned throughout the semester. Problem sets will be completed in Excel and submitted electronically using the Canvas assignments function prior to class beginning on the due date. Any problem sets handed in after the lecture begins will receive zero points. Problem sets will be completed in groups of 2-3 students. You must designate one person in your group to email your group member names to the instructor in

Canvas by **January 23rd Noon**. Any students not in a group by January 23rd will be assigned a group by the instructor. Each group must turn in their own problem set. I expect students and groups to work together to formulate responses, but each group or individual must complete the problem set. No two (or more) problem sets should look the same. Any deviation from this policy will be treated as academic dishonesty and forwarded to the college and campus for action.

Capital Budgeting Project (20%)

Each student will be responsible for completing a capital budgeting project. This project will use time value of money concepts and investment analysis to determine the economic viability of an agricultural investment as chosen by the student. Students are encouraged to discuss their investment with the instructor to ensure the project will meet the necessary requirements. This is an individual assignment. Specific instructions will be posted on Bb no later than **March 12th**. The final project will be due on **May 14th**.

Class participation (5%)

Class participation will be a function of active engagement during class lectures as well as group work completed during class. As always, class attendance plays a factor since it will be difficult to actively participate if you are missing class lectures and team meetings.

Academic Integrity Policy

This course will adhere to the CSU Academic Integrity Policy as found in the General Catalog - 1.6, pages 7-9. (<http://www.catalog.colostate.edu/Content/files/2012/FrontPDF/1.6POLICIES.pdf>) and the Student Conduct Code (<http://www.conflictresolution.colostate.edu/conduct-code>). At a minimum, violations will result in a grading penalty in this course and a report to the Office of Conflict Resolution and Student Conduct Services.

Any students with disabilities who need accommodation in the course are encouraged to speak with the instructor as soon as possible to make appropriate arrangements for these accommodations.

Veterans and student soldiers with special circumstances or who are activated are encouraged to notify the instructor in advance.

Tentative Schedule		
Week	Topic	Readings
Week1: Jan. 20 & 22	Introduction	Chapter 1
Week 2: Jan. 27 & 29	Financial Statements	Chapter 2-4
Week 3: Feb. 3 & 5	Financial Analysis & Control	Chapter 2-4
Week 4: Feb 10 & 12	Financial Analysis cont. <i>Exam I: Feb. 12 (Ch. 1-4)</i>	Chapter 2-4
Week 5: Feb. 17 & 19	Time Value of Money	Chapter 8
Week 6: Feb. 24 & 26	Capital Budgeting	Chapter 9-11
Week 7: Mar. 3 & 5	Capital Budgeting cont.	Chapter 9-11
Week 8: Mar. 10 & 12	<i>Exam II: Mar. 12 (Ch. 8-11)</i>	
Week 9: Mar. 16-20	SPRING BREAK	
Week 10: Mar. 24 & 26	Lender-Borrow Relationships	Chapter 5
Week 11: Mar. 31 & April 2	Loan Pricing and Profitability Analysis	Chapter 17
Week 12: Apr. 7 & 9	Financial Intermediaries in Ag.	Chapter 18
Week 13: Apr. 14 & 16	Risk Management	Chapter 7
Week 14: Apr. 21 & 23	Risk Management/ Asset Valuation	Chapter 7, 12-13
Week 15: Apr. 28 & 30	<i>Exam III: Apr. 30 (Ch. 5, 7, 12-13, 17-18)</i>	Chapter 12-13
Week 16: May 5 & 7	Estate Transfer and Succession Planning	Selected Readings
Week 17: Final Exams	May 14, 6:20-8:20 PM	Capital Budgeting Project Due

**Selected readings for topics will be posted on Canvas as supplementary material to the Barry and Ellinger text.*