AREC 508
Agricultural Financial Management-Analysis and Methods
Fall 2011

Location: 332 Gifford  Time: TR 11-12:15
Instructor: Dawn Thilmany McFadden  Office: B325 Clark
Phone: 491-7220  E-mail: thilmany@lamar.colostate.edu

Office Hours: 1 pm Wednesday or by appointment.

Grading: 25% Homework/Computer Labs
35% Quizzes
40% Project/Class Presentation

Text: Financial Management in Agriculture
Barry and Ellinger, 7th Edition

Optional Texts/Readings: Dixit and Pindyck-Investment Under Uncertainty (any version)

Course Objective: To develop an understanding of how financial statements are used for
managerial and asset valuation issues, private investment analysis methods and their interface
with public policy and natural resource issues, and how finance relates to other core fields in
agricultural and resource economics: including production, natural resources and agribusiness
management. Journal, business publication and media readings (including Web-based materials)
are assigned to illustrate current trends and forces shaping the agricultural, national and global
finance sectors, as well as how financial principles influence private and public investments in
private economic activity and natural resources.

The research project/paper will be on a subject of interest to the student, with no limitations
except for having a connection with some current issue or analytical method associated with
agricultural finance. Expectations for the project will vary based on the student’s current status
(MS vs. PhD) and will be discussed further within the first month of class.

Learning Outcomes:
1) Students will be able to evaluate the financial performance and capital structure of farm,
ranch and food enterprises using financial statements and analytical tools.
2) Students will be able to understand a variety of investment models, including stock equity
markets and industry project investments, and use them to evaluate financial implications
of investment choices.
3) Using financial performance and investment concepts, the student will be able to consider
a variety of issues surrounding the valuation of natural resources, with specific focus on
farmland values.
Academic Integrity: Students must uphold the academic integrity standards as explained in the university’s Academic Integrity Policy of the Colorado State University General Catalog (Page 7) and the Student Conduct Code. Violations of academic integrity include, but are not limited to: cheating in the classroom, plagiarism, unauthorized possession or disposition of academic materials, falsification and facilitation of cases of academic dishonesty. This class requires a great deal of group work, but students should take responsibility for investing personally in the independent learning and development of project materials. Violations of CSU’s academic integrity policies will be handled in accordance with the procedures discussed in the CSU General Catalog.

Topics to be Covered:
I. Financial Statements and Analysis (3 Weeks)
II. Capital Structure: Debt, Growth and Risk (2 Weeks)
III. Investment Theory (4 Weeks)
   a. Time Value of Money
   b. Capital Budgeting
   c. Portfolio Theory
IV. Financial Management of Land and Natural Resources (2 Weeks)
V. Investment with Risk and Uncertainty, Intro to Option Theory (2 Weeks)
VI. Policy Implications for Agricultural Finance (2 Weeks)

August 22-29: Introduction to Agricultural Financial Management and Financial Statements
   Chapters 1 through 3 in Barry and Ellinger
   Chapter 1 Blank-Is American Agriculture Shrinking?*

September 5: Analyzing Financial Statements: Ratios and Trends
   Presentation on Corporate Finance Analysis and Homework 1


September 12-19- Capital Structure’s Effects on Growth and Risk
Chapters 4 & 6 in Barry and Ellinger, Chapters 3 & 4, Blank


September 26-October 3- Investment Theory: The Time Value of Money and Capital Budgeting
Chapters 8-11 in Barry and Ellinger

HW1- Financial Analysis Presentations and Write-up Due (September 29)

Review and Quiz 1 (October 5)

October 10-17- The Role of Risk in Financial Management, Performance and Portfolios
Chapters 11-13, Blank; Additional Readings to be assigned


HW 2- Portfolio Application

October 24-31- Financial Management of Land and Natural Resources
Chapters 12-13 in Barry et and Ellinger, Chapter 9 in Blank


**Quiz 2- November 8**

**November 7-14**- Investment with Risk and Uncertainty and Option Valuation
Dixit and Pindyck, Ch. 1-3
Lecture Notes

**November 21- Thanksgiving Break**

**November 28-December 5**- Policy Implications for Agricultural Finance
Blank, Chapters 19 and 20
Find your own Article on Financial Policies and their Effects on Financial Performance in another Region of the World

**December 6 and 8**- Project Reports presented to Class
**December 13**- Projects will be due by 5:00 p.m. (In place of Dec. 13 final)