

COLORADO STATE UNIVERSITY
DEPARTMENT OF AGRICULTURAL AND RESOURCE ECONOMICS

Quiz 1
Fall 2023

Agricultural and Resource Economics 412
Agricultural Commodities Marketing

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This quiz is worth 20 points. Students should submit work through Canvas. Make sure your name and student ID number are at the top of the one-page summary you submit. And include the account document that you locate.

Your assignment is to find on the internet *Customer Account* documents including a *Customer Agreement* for trading commodity futures and options with a brokerage house. You should be able to trade agricultural commodities and be treated as a hedger with this account. It should not be a speculation-only account for financial products, currency, or stocks. It should be with a U.S. and not a foreign company. (Canada is acceptable if you are Canadian. Likewise, Mexico, Europe, Brazil or Australia...) It should not be an account where the firm trades/hedges for you. You should be able to make trading decisions. Some of your first search hits may be Commodity Pool Operators and this is not what you want. Read and turn in the document. I strongly prefer a PDF file and not an HTML file.

Submit a one-page summary. A word-processed one-page summary is essential. Make the top of your page look like the top of this page. Make sure your name and student ID number are included on the right. Only your summary will be graded. (Unnumbered stream-of-thought answers in a single paragraph will not receive any credit.) Your one-page summary should include the following:

1. Identify the brokerage house.
2. Identify the web site address.
3. Identify any pages and/or sections of the document specific to hedgers. (If you don't find any then you most likely need a different company.)
4. What does an individual have to do to be, or claim, to be a hedger? (Using just a few sentences.) Your answer should be of any treatment that appears to be unique to hedgers – hedgers must comply with the same rules as all other traders – but hedgers do get unique treatment. (Hint: This might lead you to a legal rule.)
5. Summarize the statements in the document regarding the risk inherent in futures trading. (Using just a few sentences.) This is the *Risk Disclosure*.
6. (Optional: answer if your documents tell you.) What is the minimum amount of money needed to open an account? What is the suggested or recommended amount of money?

Hints:

- Search the key words, “commodity account customer agreement hedge.” There will be a lot of hits. Do not look at just the first one. Review your hits. Select a big company or a local company and navigate to information on accounts. Caution: there may be many firms servicing speculators for non-agricultural products. That is not what you want. Likewise, you do not want a Commodity Pool Operator (CPO).
- Or go to one of the futures exchange websites. Look for information on finding a broker. Caution: there are a lot of firms with information for speculators and traders of non-agricultural products. I want you to find an account that will work for hedgers and traders of agricultural products.
- Last, search and find a commodity futures related magazine or newsletter website. There will be broker advertisers. And there is always the WSJ.