COLORADO STATE UNIVERSITY
DEPARTMENT OF AGRICULTURAL AND RESOURCE ECONOMICS

Quiz 2 **Agricultural and Resource Economics 412** *S.R. Koontz*
Fall 2023 **Agricultural Commodities Marketing**

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 first page you submit.

The material submitted should be PDF printed pages from a spreadsheet. (Do not submit the spreadsheet. Print your work to an Adobe Acrobat PDF. Or copy your spreadsheet pages into a DOCX and print those pages to PDF.) The quiz length should be two pages: one page for 1) below and one page for 2) below.

1) Work maintenance account example in Purcell and Koontz, Chapter 1, Table 1.1, page 7. Do not use the margin requirements in the table. Use $1,400 for the initial margin and $1,000 for the maintenance margin. Your spreadsheet should look like the "Marking to Market" Handout. But it is recommended that you add a column for the quantity traded. (A) Assume you trade **three** contracts. Assume you enter each trade at the market close. (B) Write a short summary on the spreadsheet page. Do not describe every step that you performed. Summarize what makes the calculations in this quiz different from the material in the text. (C) What are you assuming by jumping from July to September? (D) Please note there is a problem with the book table. It is a typo. What is it?

2) Work the maintenance account on a second spreadsheet page where you trade **two** contracts. You buy the first contract, as before and on the table, on July 2. Assume you buy the **second** contract at the close on July 3. Then assume you sell **one** contract back at the close on July 17 and, as in the table, sell the remaining contract on Sep 21. Again, assume you get out of the trade at the market closing price. This assumption will impact the quantity so be careful and think. Complete your work on a single spreadsheet. The maintenance account dollars for all corn contracts are kept in a single account. In other words, do not split the contracts out separately in your spreadsheet. Use $1,400 per contract for the initial margin and $1,000 per contract for the maintenance margin. Also make the following assumptions. (A) Assume your broker makes you put up enough initial margin on the additional trades to cover the initial margin on all open contracts. (B) Assume you leave the money in your maintenance account after liquidating any of your long positions. You will not but (C) does it matter which contract you sell first? Offer proof and not just opinion.