

University of Arkansas  
Department of Agricultural Economics and Agribusiness

Spring Semester 2019

**AGEC 4373: Basis Trading Applied Risk Management**

**Instructor:**

Sherry Lorton, Adjunct Instructor, White Commercial Corp.

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Phone Contact: 772-781-6561 (Monday-Friday 9:00 am - 3:00 pm CST)

**Location:** Class is delivered on-line in a virtual classroom. All materials are accessed via the internet and available 24 hours a day, 7 days a week, so material may be covered at any time, including evenings and weekends.

**Class Schedule:** Class for the spring semester extends over a 12 week period, running January 14th - April 5th, 2019. There are no scheduled meeting times but the course follows a specific schedule and students are required to view, complete and submit assignments weekly. Instructors are available for individual consultation by e-mail and phone.

**Course Goals:** The goal of the course is for students to gain a detailed working knowledge of how basis trading concepts and practices are applied to agricultural markets and to develop a skill set that can be put immediately into practice in any basis trading operation. The course serves a dual purpose in that it provides academic credit to degree seeking students and a certificate program for students and industry professionals seeking career development. Those taking the course and meeting the requirements are granted a "***Certificate of Basis Trading Administration***" upon the conclusion of the course.

**Course Objectives:** The course is delivered in two units with these objectives:

- Develop an understanding of the fundamental concepts and practices of basis trading. Upon completion of this unit students will have the skills to:
  - Converse in the language of basis trading.
  - Carry out basis transactions, including the execution of buy basis, sell basis and spreading activities.
  - Do proper and accurate basis calculations.
  - Identify basis patterns and evaluate basis risk
  - Aid in the administration and execution of long-the-basis positions.
  - Aid in the administration and execution of short-the-basis positions.

- Develop a working knowledge of the proper procedures and routines involved in the execution and administration of a grain company's daily basis trading activities.

Upon completion of this unit students will have the skills to:

- Identify and evaluate the company's price risk position.
- Execute appropriate futures transactions based on company hedging policies.
- Reconcile statements of cash and futures positions.
- Calculate financial requirements and needs of cash and futures positions.
- Identify and evaluate the company's basis risk position.
- Gain an understanding and appreciation for real world grain merchandising.

**Required Text:** *The Art of Grain Merchandising*. Silver Edition. Authors: Lorton S. and White D. Published by: Stipes Publishing Company ISBN 978-1-58874-955-0 Available for purchase at [www.whitecommercial.com](http://www.whitecommercial.com). Cost \$100 E-book available on I-books and Amazon.

**Pre-Requisites:** Degree seeking students enrolled at the University of Arkansas and attending on-campus classes are required to complete AGEC 3373 Introductory Futures and Options before being accepted in this course.

**Course Evaluation:** Student's skills are evaluated based on:

ACTIVITY:	Percentage
Assignments / Semester Project	20%
Weekly & Unit Exams	40%
Final Exam	40%
TOTAL	100%

All activities must be completed and submitted by DUE DATE to be accepted for grade credit.

**Course Grading:**

A	93-100	C	73-76
A-	90-92	C-	70-72
B+	87-89	D+	67-69
B	83-86	D	63-66
B-	80-82	D-	60-62
C+	77-79	F	<60

The White Commercial "**Certificate of Basis Trading Administration**" is granted upon completion of the course with these requirements. 1) Completion of all assignments. 2) a grade of B (83-86) or higher on the Semester Project and 3) a grade of B (83-86) for the course (weighted average). White Commercial reserves the right to change requirements for certificate eligibility at its discretion.

**Course Outline:**

Pre-class	Classroom Orientation
<u>Unit 1: Fundamentals of Basis Trading</u>	
Week 1	Basis in the Grain Business
Week 2	Tuning in to Basis Movement
Week 3	Generating Margins from Basis
Week 4	Trading Grain from a Long-the-Basis Position
Week 5	Trading Grain from a Short-the-Basis Position
Unit Review	
<u>Unit 2: Basis Trading Administration</u>	
Week 6	Routines of Merchandising / Price Risk Management
Week 7	Position Management
Week 8	Financing Basis Trading Activities
Week 9	Tracking Basis & Spreads
Week 10	Connecting the Everyday Routines to Trading the Basis
Unit Review & Final Exam	

**Note: This document is the proposed syllabus as of January 14th, 2019. Changes to content are likely and will be announced in class during the semester.**

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The following pertains to credit-seeking students enrolled at the University of Arkansas who have access to the University of Arkansas campus:

**Academic Honesty:** As a core part of its mission, the University of Arkansas provides students with the opportunity to further their educational goals through programs of study and research in an environment that promotes freedom of inquiry and academic responsibility. Accomplishing this mission is only possible when intellectual honesty and individual integrity prevail. Each University of Arkansas student is required to be familiar with and abide by the University's 'Academic Integrity Policy' which may be found at <http://provost.uark.edu/>. Students with questions about how these policies apply to a particular course or assignment should immediately contact their instructor.

**Accommodations:** University of Arkansas Academic Policy Series 1520.10 requires that students with disabilities are provided reasonable accommodations to ensure their equal access to course content. If you have a documented disability and require accommodations, please contact me privately at the beginning of the semester to make arrangements for necessary classroom adjustments. Please note, you must first verify your eligibility for these through the Center for Educational Access (contact 479-575-3104 or visit <http://cea.uark.edu> for more information on registration procedures).