

6-29-2016

## Commodity Trading Room Comes On-Line at UNL

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Van Tassell, Larry; Mattos, Fabio; and Peterson, Jeff, "Commodity Trading Room Comes On-Line at UNL" (2016). *Cornhusker Economics*. 786.

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# Cornhusker Economics

## Commodity Trading Room Comes On-Line at UNL

Market Report	Year Ago	4 Wks Ago	6-24-16
<b>Livestock and Products,</b>			
<b>Weekly Average</b>			
Nebraska Slaughter Steers, 35-65% Choice, Live Weight. . . . .	148.23	130.00	116.11
Nebraska Feeder Steers, Med. & Large Frame, 550-600 lb. . . . .	305.08	176.50	177.63
Nebraska Feeder Steers, Med. & Large Frame 750-800 lb. . . . .	241.78	*	152.51
Choice Boxed Beef, 600-750 lb. Carcass. . . . .	254.31	222.40	216.82
Western Corn Belt Base Hog Price Carcass, Negotiated . . . . .	74.05	76.84	81.88
Pork Carcass Cutout, 185 lb. Carcass 51-52% Lean. . . . .	82.16	85.16	88.00
Slaughter Lambs, woolled and shorn, 135-165 lb. National. . . . .	158.67	139.90	149.07
National Carcass Lamb Cutout FOB. . . . .	257.10	*	338.48
<b>Crops,</b>			
<b>Daily Spot Prices</b>			
Wheat, No. 1, H.W. Imperial, bu. . . . .	5.09	3.82	3.34
Corn, No. 2, Yellow Nebraska City, bu. . . . .	3.71	3.86	3.47
Soybeans, No. 1, Yellow Nebraska City, bu. . . . .	9.86	10.66	10.31
Grain Sorghum, No.2, Yellow Dorchester, cwt. . . . .	7.46	6.17	5.62
Oats, No. 2, Heavy Minneapolis, Mn, bu. . . . .	2.94	*	2.57
<b>Feed</b>			
Alfalfa, Large Square Bales, Good to Premium, RFV 160-185 Northeast Nebraska, ton. . . . .	*	138.15	165.00
Alfalfa, Large Rounds, Good Platte Valley, ton. . . . .	*	90.00	75.00
Grass Hay, Large Rounds, Good Nebraska, ton. . . . .	90.00	85.00	80.00
Dried Distillers Grains, 10% Moisture Nebraska Average. . . . .	121.50	149.00	159.00
Wet Distillers Grains, 65-70% Moisture Nebraska Average. . . . .	41.00	47.50	51.00
<b>47.50 51.00* No Market</b>			

Commodity markets are central to Nebraska's economy. The study of agricultural marketing concepts, tools and strategies as they relate to risk management for agricultural producers, commodity merchandisers, processors and other traders are essential for students seeking a career in the agribusiness industry.

With the assistance of generous donors, the Department of Agricultural Economics at the University of Nebraska-Lincoln recently established a commodity trading room that provides students real-time access to commodity markets and advanced training in market analysis,



<sup>1</sup> CoBank, CHS Inc, ADM, Cargill, Nebraska Soybean Board, Nebraska Corn Board, Lansing Trade Group LLC, Scoular, Andersons Inc, AGP, and Nebraska Wheat Board.

marketing, merchandising, and futures and options markets. Combined with classroom courses, the trading room experience prepares students to be more successful as they enter the competitive job market. The Commodity Trading Room also provides a vehicle for both students and faculty to conduct research in these areas.

Located in Filley Hall on UNL's East Campus, the UNL Agricultural Economics Commodity Trading Room features individual computer workstations. The workstations are connected in real-time to cash and futures markets, such as grain elevators around the country and the CME Group in Chicago. Workstations allow access to software packages such as BarChart Trader, GrainBridge, and Telvent DTN ProphetX. Students are able to analyze markets, forecast prices, execute trades and evaluate their actions, just as they would in the professional world. In summary, the room provides experimental learning opportunities that allow students to apply economic theories learned in the classroom to real-world situations in commodity markets.

Industry input was used to develop and refine a curriculum to utilize the trading room and to ensure students obtain needed skills to succeed in a modern, global economy. Representatives from The Scoular Company, CHS Inc., Archer Daniels Midland, Andersons Inc., Commodity Solutions, Lansing Trade Group LLC, Cargill Inc., and Gavelon were assembled to spend an afternoon discussing the merits of a commodity trading room and the curriculum that would prepare students. Two of the main considerations were to get students involved in the curriculum earlier in their academic career to prepare them for internships, and to include more coursework on the cash markets as that is where the majority of their work will be.

### **Commodity Marketing Courses.**

The two commodity courses already taught in the department were AECN 325, Marketing of Agricultural Commodities, and AECN 435, Advanced Agricultural Marketing Management. These two courses were revised and four other courses were developed. Our new curriculum in commodity marketing now consists of the following three-credit courses:

- AECN 235, Introduction to Commodity Marketing:  
This course focuses on the foundations of commodity markets. It discusses how markets were created, how commodities are traded from producers to final consumers, the role of transportation and storage, among other topics. It provides a broad and detailed discussion of economic theories behind markets, how they work in practice, and the current state of these markets in the world.
- AECN 325, Marketing of Agricultural Commodities:  
This course focuses on operation and use of agricultural commodity markets and institutions as applied to enterprise and firm risk management. It covers cash, futures and futures option markets, basis, hedging, price discovery, fundamental analysis, and risk management strategies. It is also taught as an online class each summer.
- AECN 336, Grain Merchandising:  
This course studies grain merchandising concepts, tools, and strategies as they relate to grain buyers. It helps students understand how grain is traded from the perspective of the grain buyer.
- AECN 435, Advanced Agricultural Marketing Management:  
This course is an advanced study of agricultural marketing concepts, tools, and strategies as they relate to risk management for agricultural producers, commodity merchandisers, processors, and other traders. A major objective of this course is to teach students to design marketing plans to meet specific risk management and marketing strategies, including using combinations of derivatives and insurance products.
- AECN 436, Commodity Price Forecasting:  
The overall objective of this course is to teach students how to analyze commodity markets using fundamental and technical approaches.

The most common techniques from each approach are discussed, focusing on how they can be implemented and their advantages and disadvantages. How these two approaches differ and how they can complement each other in commodity market analysis is also covered.

- AECN 495D, Internship in Commodity Marketing:

The overall objective of this internship is to allow students to gather more exposure to commodity markets and hands-on experience in the field. At a minimum, AECN 235 is recommended before students engage in an internship.

As one individual who visited our recent Commodity Trading Room open house commented, “The Grain Trading Room is very impressive and from an industry perspective, it will create a differential advantage for the students who choose to utilize the University of Nebraska’s offerings that it provides. I had the opportunity to visit with many of the others in the room and

we all agree that students that have these classes on their resume will have a leg up on their competition.”

### **What’s Next?**

A new Commodity Marketing Club is being designed by students under the tutelage of Dr. Fabio Mattos and Jeff Peterson. The club will provide a platform to invite industry professionals to talk about current issues and professional opportunities. Commodity trading/marketing challenges will be conducted each semester to allow students to test their skills against one another, with the winners given cash awards.

With the trading room and accompanying coursework completed, we are also in the process of developing a professional marketing workshop that will allow agricultural producers and other professionals to engage in a multiple day course that will cover the major curriculum designed for our students.

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