Risk Management

Lesson Plan

Nebraska AFNR:
Standard 6: Students will recognize the importance of management in agribusiness.

Nebraska AFNR Agribusiness:
Standard 3: Students will recognize marketing tools and skills.

- Benchmark 3.2: Develop marketing/sales techniques.
- Benchmark 3.3: Identify markers and market development.

Objectives:

- The student will understand and be familiar with common marketing concepts and key terms.
- The student will identify risks and rewards within marketing soybeans.

Materials:
Additional resources chart - cut and separate words/phrases and definitions

Key Terms in Marketing

Students will enter this lesson with varying backgrounds and knowledge pertaining to marketing. Begin with the activity below to reinforce and introduce common marketing concepts and key terms.

1. Use the terms provided in the Additional Resources section below. Cut each word or phrase to separate it from its definition. Pass out the words and definitions in random order. Students may work in pairs if class size dictates.

2. At the designated time, students will stand up with their piece of paper and work to find their "match" in the classroom.

3. Once all students have been paired up with the word and definition, they will remain in their small groups as the key terms are reviewed.

4. Have students take their word or phrase back to their seat and construct a sentence using the key term correctly in relation to agriculture, or specifically soybeans. Share as time allows.

Marketing Soybeans

Begin with this short video by the Nebraska Soybean Board to transition the students to marketing in relation to soybeans. (As with all content on the internet, please preview it prior to viewing with the students.)

- YouTube: "Nebraska Soybean Board – Marketing and Risk Management"
  https://youtu.be/4sJ8aep9UMg

Optional video review / discussion questions:

1. Why is marketing "one of the most important parts of the farming operation"?
2. What does a comprehensive marketing plan look like for a farming operation?
3. How do personal goals and a marketing plan interact?
4. What factors affect the markets? (Both domestically and internationally)
5. How do producers manage risk in operations, and how does that relate specifically to marketing?

Risks & Rewards

Students will work in a large group or small groups to identify the risks and rewards within the specific scenarios below. Discuss and review as time allows.

Scenario 1: Your farm is 20,000 acres in size and you grow multiple row crops, with the majority in soybeans. In the past, you have sold your soybeans to a local company that handles marketing for you. However, you would like to see if it would be advantageous to market your beans yourself. You have your first meeting with your new farm consultant to determine how you can better position yourself marketing your soybeans to international markets. What are the risks and rewards within this scenario?

Scenario 2: Your farm is 200 acres in size, and you have a few poultry houses as well as a 100 acre field that was recently converted to soybean production. You have several options, and are unsure of whether to market your soybeans to a larger grower, the local co-op, or the poultry company that you raise chickens for. What are the risks and rewards within this scenario?

Cash market	An exchange of goods and money between the buyer and seller that takes place in the present.
Futures contracts	A contracted agreement to buy or sell a specific commodity at a predetermined price in the future.
Options contracts	A contracted agreement that allows the holder to buy or sell an underlying security at a given price.
Hedging	Making an investment to reduce the adverse price movements of an asset.
Options	Contracts sold by one party to another that offer the buyer the right to buy or sell a financial asset at an agreed-upon price during a certain period of time.
Commodity swaps	Exchanged cash flows are dependent on the price of an underlying commodity; usually used to hedge against the price of a commodity.
Spreads	The difference between the current bid and the current ask.
Straddles	An options strategy with which the investor holds a position in both a sale and a purchase with the same cash market.
Risk management	The process of identification, analysis and either acceptance or mitigation of uncertainty in investment decision making.
Basis	The variation between the spot price of a deliverable commodity and the relative price of the futures contract for the same actual that has the shortest duration until maturity.
Commodity	An economic good.
Vertical integration	When a company expands its business into areas that are at different points on the same production path.