

Syllabus: Graduate Agricultural Finance
The University of Tennessee at Martin
Department of Agriculture and Natural Resources

BASIC INFORMATION:

Course Number: **Agricultural Economics 665**
Course Title: **Agricultural Finance**
Call Number: **21636**
Credit Hours: **3 credit hours**
Prerequisites: **Graduate student admission**
Time: **Course is taught on-line on Blackboard**
Final Examination: **Monday, May 7, 2007**
Instructor: **Tom Greer, Ph.D., Professor of Agricultural Economics**
Office hours: **2:00-4:00 P.M., 267 Brehm Hall, or by appointment.**
Phone: **Office: (731) 881-7255; Home: (731) 587-5715**
E-Mail: tgreer@utm.edu
Textbook: **Not Required: *Financial Management in Agriculture (Sixth Edition)*, by Barry, Ellinger, Hopkin, and Baker**

COURSE PURPOSE, GOALS, AND OBJECTIVES:

Course Description:

Analysis of capital requirements and investments of farm and agribusiness firms. Evaluation of credit needs and repayment capacity. Leverage, liquidity, and risk management. Sources and uses of credit. Agribusiness financial record keeping and interpretation of financial statements.

General Course Objectives:

1. Students should understand interest rate theory, basic compounding and discounting problems, capital requirements, and investment analysis as it applies to farm and agribusiness firms.
2. Students should be able to analyze investments with capital recovery cost analysis and net present value budgeting analysis.
3. Students should know how to read financial reports and gain familiarization with the instruments and pitfalls for personal investing.
4. Students should be able to understand and prepare financial records for a farm or agribusiness firm.
5. Students should understand leverage, liquidity, risk management, and inventory issues and their impact on financial planning for a firm.
6. Students should be familiar with lending agencies including commercial banks, insurance companies, and the farm credit system, and their impact on agricultural credit, including the farm financial crisis of the 1980s.
7. Students should be able to evaluate credit needs, repayment capacity, and sources and uses of credit in agricultural business.

Outline of Course Topics:

- I. Theory of Financial Management
 - A. Time Value of Money
 1. Inflation, interest rates, real growth, and real prices
 2. Compounding, annuities, amortization, capital recovery charge, capitalization, future value of an annuity, sinking funds, and growth in capital flow (pseudo-real discount rates)
 - B. Investments
 1. Net Present Value (NPV) budgets
 2. Capital Recovery Charge (CRC) and annual budgets
 3. Discount rates, Internal Rate of Return (IRR), and land net present value
 - C. Leverage
 - D. Liquidity
 - E. Risk management and insurance
- II. Farm Records System
- III. U.S. Agricultural Finance
- IV. Personal Investing

COURSE REQUIREMENTS/EXPECTATIONS:

Grading Procedures:

The instructor grades the course based on periodic examinations, homework assignments, class participation, and a comprehensive final examination. The approximate weight for each is participation 6.25%, homework 28.125%, periodic examinations 56.25% and final comprehensive examination 9.375%. Examinations are open book examinations so students can refer to interest rate tables. Previous examinations are available on blackboard under Agricultural Finance (agec665_OL1_sp2007) for review purposes. Homework assignments for agricultural finance and their due dates are also on blackboard under AGEC 665. The key to old homework problems is also available on blackboard. The instructor grades attendance based on percentage of attendance and excused absences both before and after midterm. The instructor posts current grades. Students with complaints about grading should see the instructor promptly to find out how they can be improved during the year, since the instructor can make no improvement in grades after the final examination. All grades are rounded to the nearest whole grade. The tentative starting grading scale for this course is: below 80—F, 80-84—D, 85-89—C, 90-94—B, 95 and above—A.

Preparation:

The textbook is not required but students may want it to supplement notes. This textbook best approximates the material to be covered in the course, although additional topics are covered. Mathematics requirements for undergraduate agricultural finance do not include calculus, although calculus will be used to illustrate points in the course. A good calculator with a memory that can do exponential functions is necessary for working interest rate problems. A financial calculator may make problems much easier (but only if the student becomes familiar with it). Students should work problems so they become familiar with using their calculators to solve problems before examinations.

Participation:

Students are expected to keep up with the rest of the class and participation will be graded based upon how well students keep up and communicate with the instructor and other students. The course is self-paced to some extent, but if you are falling behind on assignments or need to have more time before taking an examination, the instructor expects the students to let him know. The first part of the course is mathematically intense, as the tools are learned to understand finance issues. After students are up to speed on the quantitative part, the remainder of the course is more qualitative.

Homework:

Homework assignments and their due dates are available under Assignments on blackboard. Students are expected to keep track of deadlines for each homework assignment on their own. Students are advised never to round off interest rates, give interest rates as percentages, and to report monetary amounts only as dollars and cents (no fractions of a cent need be reported) and don't forget to include percent and dollar signs. Students must show their work to receive partial credit. Students having difficulty with assignments may want to refer to previous homework and answers on blackboard. Students who fall far behind in their homework tend to find their grades severely penalized. The instructor also cannot guarantee that late homework will be returned before examinations as a study aid. All assignments must be turned in by the last day of class to receive any credit.

Examinations:

Periodic open book examinations are given to cover material since the last examination, but there may be some comprehensive content.

Integrity:

Cheating is unacceptable and will be grounds for failing grades on examinations, homework assignments, and for the course as a whole. Students must avoid even the appearance of cheating so as not to confuse the instructor. Copying homework assignments will not prepare students for examinations. The instructor becomes suspicious of too many homework assignments with the same mistakes!

Disability Statement:

Any student eligible for and requesting accommodations due to a disability is requested to provide a letter of accommodation from P.A.C.E. or Student Academic Support Center within the first two weeks of the semester.

Critical Events:

None.