



2015 Finance Event

Trading Simulation Overview

First Period

Length: 8 Minutes (Represents July & August)

You have been hired to manage Big Rock Brewery's ® newest brewery. It's the beginning of July and construction is currently underway. As a result you aren't able to brew anything until the beginning of September.

You're tired of waiting and would like to put your finance degree to use. You know that your revenues are correlated with the price of the raw materials used to produce your product, primarily wheat and barley. You have a firm grasp on supply and demand and hope to take advantage of fluctuations in wheat and barley SPOT prices while you wait for construction on the brewery to finish. You decide that you will closely monitor any news, as well as moisture and heat levels that may have an effect on the output for each respective crop. You will use this information to speculate on fluctuations in SPOT prices.

You have a separate warehouse that you use to store your raw materials for production in your upcoming brewery and can hold up to 5000 Bushels of wheat and/or barley at any given time. For simplicity sake, we will assume that the transportation costs of buying and selling bushels are already built into the SPOT market price. A close friend manages a warehouse nearby and he has an ample supply of wheat and barley on hand. Your friend has agreed to allow you to borrow up to 5000 bushels of wheat and/or barley to short-sell at any given time for no extra charge (a pretty good friend if you ask me). Any surplus of wheat and/or barley that you have accumulated by the end of August will be carried over into September and can be used to produce beer in your new brewery.

Second Period

Length: 8 Minutes (Represents September & October)

Finally, September is here and your new brewery is complete. You can now start producing beer. You have the option to produce two types of beer: Big Rock Grasshopper Wheat Ale made of 60% wheat and 40%

barley, and/or Big Rock Traditional Ale made of 100% barley. You did so well speculating on SPOT prices that you decide to continue to speculate on the side while running your brewery, the same restrictions apply. Keep in mind, there are larger margins available in beer sales, so you know you should focus on production first and foremost. Your new brewery can store up to 800 kegs of beer at a time, and from past experience you know that 100 bushels will generate 200 kegs of beer.

You have built six refineries in your brewery and have dedicated three to producing Big Rock Grasshopper Wheat Ale and three to producing Big Rock Traditional Ale. Keep in mind your storage limit of 800 kegs. It's important to sell the beer you have produced once it is finished refining and not leave it sitting in the brewery. If the number of kegs you have in your inventory exceeds the 800 allowed, you will receive a one-time fine of \$100 per keg over the 800 keg limit. Demand for your beer is high. You have the ability presell up to 800 kegs before they are finished refining.

Big Rock Brewery Incorporated ® has allocated \$200,000 (separate from wheat and barley SPOT trading) to cover beer production costs. You know that the fixed cost to produce 200 kegs of Big Rock Grasshopper Wheat Ale is \$16,000 and uses 60 Bushels of Wheat and 40 bushels of barley. The fixed cost to produce Big Rock Traditional Ale is \$11,750 and uses 100 bushels of barley. These prices will not fluctuate. Because you are a savvy investor, you have built an excel file that monitors current wheat and barley spot prices as well as the current market price for each of your respective beers that provides an expected profit/loss based on using 100 bushels (producing 200 kegs) for each beer.

Keg prices for each beer are reviewed and adjusted every two weeks (two minutes) based on supply, demand, and delivery costs across the country. The new keg prices for each beer will be released along with other news during the simulation. It takes two weeks (two minutes) to produce each beer, so keep in mind that keg prices may change while your beer is brewing. Remember though, demand for your beer is high, so you do have the option to presell up to 800 kegs at a time at current market prices.