Market Making Activity – Cattle Feeders

Background: your group owns the only cattle feed lot on the island of Corntopia and need to purchase 100,000 bushels of corn annually from the island’s corn growers. You do not have the option to import corn from another location.

The corn growers of Corntopia produce 100,000 bushels annually, and have no other market to sell their corn – no ethanol plants and no export options. All their corn must be sold to you.

Your feedlot is profitable paying up to $9.00/bushel for corn; the cheaper you can buy it, the larger your profits.

Objective: As a group, negotiate one price to purchase the 100,000 bushels from the corn growers.

Rules: All bushels must be bought in one transaction, and the allowable price of corn is between $2/bushel and $10/bushel

Market Making Activity – Corn Growers

Background: your group produces the only corn on the island of Corntopia. Your annual production is 100,000 bushels. You do not have any other market options beside the cattle feeders – no ethanol, no export, so all your corn needs to go to the cattle feeders.

The cattle feeders of Corntopia consume 100,000 bushels annually, and have no other market to procure their corn – no import options, all the corn they purchase must be bought from you.

Your farm is profitable selling as low as $3.00; the more you sell the corn for, the larger your profits.

Objective: As a group, negotiate one price to sell the 100,000 bushels to the cattle feeders.

Rules: All bushels must be sold in one transaction, and the allowable price of corn is between $2/bushel and $10/bushel