

**Minutes:** 2007 Meeting

**Project:** NCCC-134 Conference on Applied Commodity Price Analysis, Forecasting and Market Risk Management.

**Date/Location:** April 16-17, 2007, Chicago, Illinois, The Illini Center, 200 S. Wacker Dr. Conference began at 1:00 p.m., April 16, 2007.

**Participants:**

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### Research Papers Presented:

Session 1 – Moderator: B. Wade Brorsen, Oklahoma State University

“Implicit Value of Retail Beef Brands and Retail Meat Product Attributes.” Jennifer Dutton, Clement E. Ward, & Jayson L. Lusk, Oklahoma State University.

“Retailer Pricing Strategies: A Two-Channel Model of Meat Retailer as Margin Maker.” Yiyong Yuan, Joe Parcell, & Chris Boessen, University of Missouri-Columbia.

“Meat and Poultry Plants' Traceability Levels.” Harun Bulut & John D. Lawrence, Iowa State University.

“Impacts of Alternative Marketing Agreement Cattle Procurement Volumes on Fed Cattle Transaction Prices and Qualities.” Yanyan Liu & Mary K. Muth, RTI International, Stephen K. Koontz, Colorado State University, & John D. Lawrence, Iowa State University.

“Meat Processors Purchasing and Sale Practices: Lessons Learned from the GIPSA Livestock and Meat Marketing Study.” John Lawrence, Iowa State University, Mary Muth & Justin Taylor, RTI, International & Stephen Koontz, Colorado State University.

“Impacts of Alternative Marketing Agreement Cattle Procurement Volumes on Packer Costs: Evidence from Plant-Level P&L Data.” Stephen R. Koontz, Colorado State University, Mary K. Muth, RTI International, & John D. Lawrence, Iowa State University.

Session 2 – Moderator: Mark R. Manfredo, Arizona State University

“Do Big Crops Get Bigger and Small Crops Get Smaller? Further Evidence on Smoothing in USDA Production Forecasts.” Olga Isengildina-Massa, Clemson University, Scott H. Irwin & Darrel L. Good, University of Illinois at Urbana-Champaign.

“Smart Money? The Forecasting Ability of CFTC Large Traders.” Dwight R. Sanders, Southern Illinois University, Scott H. Irwin & Robert Merrin, University of Illinois at Urbana-Champaign.

“USDA Corn and Soybean Production Forecasts: The Surprise Effect.” Nicole Aulerich & Scott H. Irwin, University of Illinois at Urbana-Champaign.

“The Role of Spreading.” Jeffrey Williams, University of California-Davis, & Peter Alonzi, Dominican University.

“Cattle Price Cycle Simulation.” Matthew C. Stockton, University of Nebraska-Lincoln, & Larry Van Tassell, University of Idaho.

“Economics of Increased Beef Grader Accuracy.” Darrell Busby, Maro A. Ibarburu, & John D. Lawrence, Iowa State University.

Session 3 – Moderator: Scott Irwin, University of Illinois

“Measuring the Influence of Commodity Fund Trading on Corn and Soybean Price Discovery.” Gerald Plato & Linwood Hoffman, Economic Research Service, US Department of Agriculture.

“Information Content in Deferred Futures Prices for Non-Storable Commodities.” Dwight R. Sanders, Southern Illinois University, Phil Garcia, University of Illinois at Urbana-Champaign, & Mark R. Manfredo, Arizona State University.

“Cross-Hedging Distillers Dried Grains: Exploring Corn and Soybean Meal Futures Contracts.” Adam Brinker & Joe Parcell, University of Missouri, & Kevin Dhuyvetter, Kansas State University.

“Incorporating Distiller's Grain into Beef Feedlot Rations: A Potential Partial Offset to Rising Corn Prices.” Crystal Jones, Glynn Tonsor, & Roy Black, Michigan State University.

“The Effect of Ethanol Production on the US Corn Price.” Hwanil Park & T. Randall Fortenbery, University of Wisconsin-Madison.

“Understanding Ethanol: Price Dynamics and Influence.” T. Randall Fortenbery, University of Wisconsin-Madison, & Hector O. Zapata, Louisiana State University.

Session 4 – Moderator: Dwight R. Sanders, Southern Illinois University

“Profit Margin Hedging.” Hyun Seok Kim, B. Wade Brorsen, & Kim Anderson, Oklahoma State University.

“Using Futures Prices and Basis as Barameters in Deciding Whether to Store Grain or Not.” Kim B. Anderson, B. Wade Brorsen, & Mounir Siaplay, Oklahoma State University.

“Three Blind Mice and a Carver's Knife...Assessing the Long-Term Effectiveness of a Market Service Versus Rule-Based Milk Price Hedging Strategies on the Financial Performance of a Dairy Farm.” Cameron S. Thraen, The Ohio State University.

“Trader Behavior During the Tokyo Grain Exchange's Walrasian Auctions.” James Eaves, Rutgers University, & Jeffrey Williams, University of California-Davis.

“Trading Behavior in Futures Markets: Its Determinants and Implications.” Fabio Mattos, Philip Garcia, & Joost M.E. Pennings, University of Illinois at Urbana-Champaign.

“Measuring Liquidity Costs in Agricultural Futures Markets.” Julieta Frank & Philip Garcia, University of Illinois at Urbana-Champaign.

Session 5 – Moderator: John Lawrence, Iowa State University

“Inventory and Transformation Hedging Effectiveness in Corn Crushing.” Roger A. Dahlgran, University of Arizona.

“Economic Analysis of Pharmaceutical Technologies in Modern Beef Production.” John D. Lawrence & Maro A. Ibarburu, Iowa State University.

Session 6 – Moderator: Stephen R. Koontz, Colorado State University

“Surprise! Surprise! To What Surprises do Hog Futures Markets Respond?” Julieta Frank, Philip Garcia, & Scott Irwin, University of Illinois at Urbana-Champaign.

“Outlook vs. Futures: Three Decades of Evidence in Hog and Cattle Markets.” Evelyn V. Colino & Scott H. Irwin, University of Illinois at Urbana-Champaign.

### **Meeting Agenda:**

The NCCC-134 Regional Research Committee sponsored its 24<sup>th</sup> annual conference on Applied Commodity Price Analysis, Forecasting, and Market Risk Management on April 17-18 in Chicago, Illinois. Twenty-eight papers were presented the authors and discussed meeting participants. The conference meeting holds two concurrent sessions where research papers with similar methods, commodities, and/or issues are organized. The papers were selected by the ten members of the NCCC-134 Executive Committee from 32 two-page prospectuses submitted prior to the conference. The resulting collection of papers ranged over futures and options

market analysis, market information, effects and management of market risk, price forecasting evaluations, and several other price analysis topics. The format of the meeting allows for extensive discussion of the paper, results, and implications. Preliminary works and findings are encouraged.

Nine of the 28 papers, or 32%, are collaborative works by researchers at different institutions. This regional project is one of the main reason for the works. However, all of the research is discussed before participants from many institutions. All participants attend this meeting to hear about works from researchers at other institutions that are in the area of expertise addressed by the project.

Industry participants and well-established academic professionals are invited to speak during the business lunch. The goal of the lunch speaking session is to discuss industry and research issues and discuss perspectives of successful economists. Presenting during the lunch allows the discussion with the entire body of conference participants. John Harangody, Director of Commodity Products at the Chicago Mercantile Exchange discussed “Electronic Trading at the CME.” and other changes for which the CME was preparing. Having the meeting in Chicago allowed the meeting participants to hear and discuss changes to the business practices at the CME. The Chicago meeting also allowed for more participation by CME and Commodity Futures Trading Commission economists and staff.

Following the research paper presentations program a short business meeting of the NCCC-134 executive committee and other interested participants was held. NCCC-134 Committee Coordinator, Stephen Koontz, indicated an attendance at this year’s conference of 45 participants. Special notice was made of the large number of industry colleagues and graduate students in attendance and participating. Attendance was consistent with previous years but slightly larger because of the meeting taking place in Chicago.

Arnie Hallam, the committee administrative advisor, spoke to the business meeting participants. Dr Hallam communicated the committee’s status and communicated the process for formal committee membership.

Koontz reported that the NCCC-134 section of the AgEcon Search web site located at the University of Minnesota would be the location of all presented papers for 2007. Scott Irwin of the University of Illinois is hosting a duplicate NCCC-134 website. The site address is <http://www.farmdoc.uiuc.edu/nccc134/> and will hold committee announcements as well as all papers from all past meetings.

Next year’s meeting is scheduled for April 21–22, 2008 in St. Louis, Missouri. Format would be similar to this year’s meeting with presented papers selected by a screening committee from a set of proposals due in September 2007. Mark Manfredo from Arizona State University and Dwight Saunders from Southern Illinois University have volunteered to serve as committee coordinators.

Meeting Adjourned: 5:00 p.m. April 17, 2007.

Respectfully submitted,

Stephen Koontz, Colorado State University, Coordinator, NCCC-134 Committee

Arnie Hallam, Iowa State University, Administrative Advisor