

## Basic Information

- **Project No. and Title:** NCCC134 : Applied Commodity Price Analysis, Forecasting, and Market Risk Management
- **Period Covered:** 10/01/2015 to 09/30/2016
- **Date of Report:** 04/20/2016
- **Annual Meeting Dates:** 04/18/2016 to 04/19/2016

## Participants

### Faculty & Professional Participants in Attendance

Abbott, Philip – Purdue University – [abbottpc@purdue.edu](mailto:abbottpc@purdue.edu)  
Alston, Christopher – Mars, Inc. – [william.alston@effem.com](mailto:william.alston@effem.com)  
Bekkerman, Anton – Montana State University – [anton.bekkerman@montana.edu](mailto:anton.bekkerman@montana.edu)  
Bozic, Marin – University of Minnesota – [mbozic@umn.edu](mailto:mbozic@umn.edu)  
Brittain, Lee – Teays Investments – [leeb@teaysinvestments.com](mailto:leeb@teaysinvestments.com)  
Brorsen, Wade B. – Oklahoma State University – [wade.brorsen@okstate.edu](mailto:wade.brorsen@okstate.edu)  
Brown, D. Scott – University of Missouri – [BrownSc@missouri.edu](mailto:BrownSc@missouri.edu)  
Diersen, Matthew – South Dakota State University – [Matthew.Diersen@sdstate.edu](mailto:Matthew.Diersen@sdstate.edu)  
Etienne, Xiaoli – West Virginia University – [xletienne@mail.wvu.edu](mailto:xletienne@mail.wvu.edu)  
Fortenbery, Randy – Washington State University – [r.fortenbery@wsu.edu](mailto:r.fortenbery@wsu.edu)  
Frank, Julieta – University of Manitoba – [Julieta.Frank@umanitoba.ca](mailto:Julieta.Frank@umanitoba.ca)  
Franken, Jason – Western Illinois University – [JR-Franken@wiu.edu](mailto:JR-Franken@wiu.edu)  
Garcia, Philip – University of Illinois – [p-garcia@illinois.edu](mailto:p-garcia@illinois.edu)  
Gjolberg, Ole – Norwegian University of Life Sciences – [ole.gjolberg@nmbu.no](mailto:ole.gjolberg@nmbu.no)  
Gousgounis, Eleni – Stevens Institute of Technology – [egousgou@stevens.edu](mailto:egousgou@stevens.edu)  
Hallam, Arne – Iowa State University – [ahallam@iastate.edu](mailto:ahallam@iastate.edu)  
Harri, Ardian – Mississippi State University – [ah333@msstate.edu](mailto:ah333@msstate.edu)  
Isengildina-Massa, Olga – Virginia Tech University – [oimassa@vt.edu](mailto:oimassa@vt.edu)  
Janzen, Joseph – Montana State University – [joseph.janzen@montana.edu](mailto:joseph.janzen@montana.edu)  
Johnson, Katelyn – Mars, Inc. – [matelyn.johnson@effem.com](mailto:matelyn.johnson@effem.com)  
Karali, Berna – The University of Georgia – [bkarali@uga.edu](mailto:bkarali@uga.edu)  
Koontz, Stephen R. – Colorado State University – [Stephen.Koontz@colostate.edu](mailto:Stephen.Koontz@colostate.edu)  
Lachenmayr, Christa – Commodity Futures Trading Commission – [CLachenmayr@CFTC.gov](mailto:CLachenmayr@CFTC.gov)  
Lapp, Bill – Advanced Economic Solutions – [bill@aesresearch.com](mailto:bill@aesresearch.com)  
Mallory, Mindy – University of Illinois – [mallorym@illinois.edu](mailto:mallorym@illinois.edu)  
Martin, George – Wood Creek Consulting – [gmartin@woodcreek.com](mailto:gmartin@woodcreek.com)  
Nelson, Bill – ProFarmer – [editors@profarmer.com](mailto:editors@profarmer.com)  
Newton, John – National Milk Producer's Federation – [jnewton@nmpf.org](mailto:jnewton@nmpf.org)  
Onel, Gulcan – University of Florida – [gulcan.onel@ufl.edu](mailto:gulcan.onel@ufl.edu)  
Parcell, Joe – University of Missouri – [ParcellJ@missouri.edu](mailto:ParcellJ@missouri.edu)  
Peterson, Paul – University of Illinois – [pepeters@illinois.edu](mailto:pepeters@illinois.edu)  
Riggs, Lynn – Commodity Futures Trading Commission – [trigs@cftc.gov](mailto:trigs@cftc.gov)  
Robe, Michel A. – American University – [mrobe@american.edu](mailto:mrobe@american.edu)  
Sanders, Dwight R. – Southern Illinois University – [dwrights@siu.edu](mailto:dwrights@siu.edu)  
Saunders, Drew – Commodity Futures Trading Commission – [dsaunders@cftc.gov](mailto:dsaunders@cftc.gov)  
Steen, Marie – Norwegian University of Life Sciences – [marie.steen@nmbu.no](mailto:marie.steen@nmbu.no)  
Taylor, Mykel – Kansas State University – [mtaylor@ksu.edu](mailto:mtaylor@ksu.edu)  
Vorotnikova, Ekaterina – University of Idaho – [evorotnikova@uidaho.edu](mailto:evorotnikova@uidaho.edu)  
Westgaard, Sjur – Norwegian University of Life Sciences – [sjur.westgaard@iot.ntnu.no](mailto:sjur.westgaard@iot.ntnu.no)

### Student Participants in Attendance

Ajewole, Kayode Marins – Kansas State University – [kajewole@ksu.edu](mailto:kajewole@ksu.edu)  
Arzandeh, Mehdi – University of Manitoba  
Banga, Jasdeep S. – Oklahoma State University – [jasdeep@ostatemail.okstate.edu](mailto:jasdeep@ostatemail.okstate.edu)  
Boussios, David – Purdue University – [dboussio@purdue.edu](mailto:dboussio@purdue.edu)  
Couleau, Annabelle – University of Illinois – [couleau2@illinois.edu](mailto:couleau2@illinois.edu)  
de Barros Dias, Fernando – University of Illinois – [debarro2@illinois.edu](mailto:debarro2@illinois.edu)  
Dobrowolska, Agnieszka – University of Missouri – [adobrowolska@mail.missouri.edu](mailto:adobrowolska@mail.missouri.edu)  
Fretheim, Torun – Norwegian University of Life Sciences – [torun.fretheim@nmbu.no](mailto:torun.fretheim@nmbu.no)  
Han, Xue – University of Illinois – [xuehan3@illinois.edu](mailto:xuehan3@illinois.edu)  
Holmquist, Tyler – South Dakota State University – [tyler.holmquist@sdstate.edu](mailto:tyler.holmquist@sdstate.edu)  
Hu, Zhepeng – University of Illinois – [hu59@illinois.edu](mailto:hu59@illinois.edu)  
Li, Ziran – Iowa State University – [ziranl@iastate.edu](mailto:ziranl@iastate.edu)  
Liu, Pan – Texas A&M University – [liupan@tamu.edu](mailto:liupan@tamu.edu)

Maples, Will – Mississippi State University – wem87@msstate.edu  
Prera, Alejandro – Washington State University – alejandro.prera@wsu.edu  
Scheitrum, Daniel – UC Davis – dpscheitrum@ucdavis.edu  
Shang, Quanbiao – University of Illinois – shang3@illinois.edu  
Yan, Lei – University of Illinois – leiyan2@illinois.edu

## Brief Summary of Minutes of Annual Meeting

### Date/Location:

April 18-19, 2016, St. Louis, Missouri, The Crowne Plaza St. Louis – Downtown Hotel. Conference began at 1:00 p.m., April 18, 2016.

### Meeting Agenda:

The NCCC-134 Regional Research Committee sponsored its 35th annual conference on Applied Commodity Price Analysis, Forecasting, and Market Risk Management on April 18-19, 2016 in St. Louis, Missouri. Twenty-six papers were presented by the authors and discussed among 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 seven members of the NCCC-134 Executive Committee from 45 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.

Industry participants and well-established academic professionals are invited to speak during the business lunch. The goal of the luncheon speaking session is to discuss industry and research issues and discuss perspectives of successful economists. Presenting during the lunch allows discussion with the entire body of conference participants. This year, Mr. Bill Lapp – President of Advanced Academic Solutions – was the featured luncheon speaker. The title of his talk was “How the Private Sector Incorporates Information into Market Analysis.” In his presentation, Mr. Lapp discussed how economic advisers in private industry utilize economic models along with available information on market conditions and prices to help their customers in their decision-making processes for input purchases and price risk management. Following the luncheon speaker, the last paper session is held in the luncheon room such that all lunch attendees could participate in this session.

### Program:

#### **Monday, April 18, 2016**

**Session 1** - Moderator: Sjur Westgaard, *Norwegian University of Life Sciences*

“The Information Content in the Term Structure of Commodity Prices.” Xiaoli Etienne, *West Virginia University*, and Fabio Mattos, *University of Nebraska*.

“The Information Content of the Limit Order Book.” Mehdi Arzandeh and Julieta Frank, *University of Manitoba*.

“The Components of the Bid-Ask-Spread: Evidence from the Corn Futures Market.” Quanbiao Shang, Mindy Mallory, and Philip Garcia, *University of Illinois*.

**Session 1 (cont.)** - Moderator: Julieta Frank, *University of Manitoba*

"Identifying Financialization Impacts in Commodity Futures Markets." Lei Yan, Scott H. Irwin, *University of Illinois*, and Dwight R. Sanders, *Southern Illinois University*.

"Commodities and their Relation to Stock Market Returns." Marie Steen and Sjur Westgaard, *Norwegian University of Life Sciences*.

"Linkages between U.S. and Chinese Agricultural Commodity Futures Markets: Evidence from the Soybean Complex." Zhepeng Hu and Philip Garcia, *University of Illinois*.

**Session 2** - Moderator: John Newton, *National Milk Producer's Federation*

"The Theory of Optimal Hedging Horizons and Application to Dairy Risk Management in the United States." Marin Bozic, *University of Minnesota*, Ekaterina Vorotnikova, *University of Idaho*, and Robert Johansson, *USDA*.

"Hedging Crack Spread during Periods of High Volatility of Oil Prices." Pan Liu and Dmitry V. Vedenov, *Texas A&M University*.

"Risk Management: Hedging Potential for U.S. Breweries." Alejandro Prera, Randy Fortenbery, and Thomas March, *Washington State University*.

**Session 2 (cont.)** - Moderator: Xiaoli Etienne, *West Virginia University*

"Market Concentration in the Grain Handling Industry." Anton Bekkerman, *Montana State University*, and Mykel Taylor, *Kansas State University*.

"The Reference Price Effect on Crop Producer's Hedging Behavior." Ziran Li, Dermot Hayes, and Keri Jacobs, *Iowa State University*.

"Relationship of Grain Stocks and Marketing Behavior." Tyler Holmquist, Matthew Diersen, and Nicole Klein, *South Dakota State University*.

**Tuesday, April 19, 2016**

**Session 3** - Moderator: Olga Isengildina-Massa, *Virginia Tech University*

"Commodity Price Co-movements: Back to Normal." Marie Steen and Ole Gjolberg, *Norwegian University of Life Sciences*.

"Volatility Risk Premium in Selected Agricultural Commodity Options." Lei Yan and Philip Garcia, *University of Illinois*.

"What Drives Uncertainty and Volatility Expectations in Agricultural Markets?" Michael Adjemian, *USDA*, Valentina Bruno, and Michel A. Robe, *American University*.

**Session 3 (cont.)** - Moderator: Marin Bozic, *University of Minnesota*

“The Value of USDA Situation and Outlook Information in the Big Data Era.” Olga Isengildina-Massa, *Virginia Tech University*, Berna Karali, *The University of Georgia*, Scott H. Irwin, *University of Illinois*, and Michael Adjemian, *USDA*.

“Valuing Public Information in Agricultural Commodity Markets: WASDE Corn Reports.” Philip Abbott, David Boussios, and Jess Lowenberg-DeBoer, *Purdue University*.

“The Economic Impact of the 2015 Avian Influenza Outbreak on U.S. Egg Prices.” Agnieszka Dobrowolska and D. Scott Brown, *University of Missouri*.

**Session 4 - Moderator:** Matthew Diersen, *South Dakota State University*

“Forecasting Quality Grade and Certified Angus Beef Premiums.” Jason Franken, *Western Illinois University*, and Joe Parcell, *University of Missouri*.

“Deep Learning: A Potential Forecasting Tool.” Jasdeep S. Banga and Wade B. Brorsen, *Oklahoma State University*.

“From Auckland to Eau Claire: Price Transmission from International Dairy Markets to Local U.S. Milksheds.” John Newton, *National Milk Producers Federation*.

**Session 4 (cont.) - Moderator:** Jason Franken, *Western Illinois University*

“Price Discovery in Regional Fed Cattle Markets: What is the Impact of the Thinning Cash Trade?” Stephen R. Koontz, *Colorado State University*.

“Price Reporting in a Thin Market.” Kayode Ajewole, Ted C. Schroeder, *Kansas State University*, Joe Parcell, *University of Missouri*.

“Determining the Effectiveness of Exchange Traded Funds as a Risk Management Tool.” Will Maples, Ardian Harri, *Mississippi State University*, John Michael Riley, *Oklahoma State University*, Jesse Tack, and Brian Williams, *Mississippi State University*.

**Luncheon Speaker:** Mr. Bill Lapp, President, *Advanced Economic Solutions*

Topic: “How the Private Sector Incorporates Information into Market Analysis”

**Session 5 - Moderator:** Anton Bekkerman, *Montana State University*

“Exploring OTC Commodity Swaps with Regulatory Data.” Scott Mixon, Esen Onur, and Lynn Riggs, *Commodity Futures Trading Commission*.

“The Effect of Pit Closure on Futures Trading.” Eleni Gousgounis, *Stevens Institute of Technology*, and Esen Onur, *Commodity Futures Trading Commission*.

## **Business Meeting Minutes:**

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 co-chair, Anton Bekkerman, led the meeting. Anton Bekkerman indicated an attendance at this year's conference of 57 participants. This was higher than the average attendance, which has ranged between 45 and 55 participants.

Bekkerman announced that the renewal process of the NCCC-134 Committee was successful and the regional project was approved until 2020. Anton Bekkerman also thanked the previous co-chairs Matthew Diersen and Matthew Roberts for their help with the renewal process and for their service as outgoing co-chairs.

Bekkerman also noted that the third week of April in 2017 falls on the week following the Easter holiday. To avoid possible low attendance following the holiday as has been experienced in the past, next year's meeting dates are proposed as April 10-11, 2016 or April 24-25, 2016. A vote was taken and the later date was accepted.

Bekkerman announced that there has been an increase in the hotel expenses this year to reserve conference rooms. The hotel now strictly enforces the minimum food/beverage expense to reserve conference rooms. Due to this increase in cost, Bekkerman proposed an increase in the registration fees. Faculty/professional rates will be increased from \$170 to \$200, while student fees will be kept at \$50, or increased to \$55.

A discussion is held on a possible change to meeting location. Some alternatives are considered: a) Kansas City; b) Minneapolis; c) Chicago. After some discussion, it is decided that the committee co-chairs, Anton Bekkerman and Berna Karali, will explore these possibilities and especially seek for an opportunity to use each city's Federal Reserve's building to host the conference. Co-chairs will also explore other hotels/venues in St. Louis.

## **Meeting Adjourned:**

3:30 p.m. April 19, 2016.

## **Accomplishments**

As in the past, the NCCC-134 Committee continues to be a leader in bringing together leaders in the research and application of applied commodity price analysis, forecasting, and market risk management. The annual meeting creates valuable research dissemination opportunities and the ability to bridge the gap between researchers across states, regions, and countries and stakeholders who will be applying that research. Overall, the attendance at this year's conference was 57 participants. This was higher than the average attendance, which has ranged between 45 and 55 participants.

This year, ten of the 26 papers, or 38%, were collaborative works by researchers at different institutions. These institutions include land grant universities, other public and private universities, government agencies, and private industry. This regional project is one of the main catalysts for the works. 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. Of the attendees, seven (approximately 14%) were from the private industry, three (6%) were from government agencies, and six (12%) were from international institutions.

The meeting also remains an important venue for graduate students to present their work. This year, 18 graduate students attended the conference (32% of total attendees). Many of them presented papers co-authored with faculty members and interacted with members of the group who regularly attend the meeting.

## Impacts

## Publications

As the case in previous years, all research papers presented at this year's meeting will be published to the group's official website after June 1, 2016. These papers, as well as archived papers from the Committee's previous years, can be accessed at the following web address: <http://www.farmdoc.illinois.edu/nccc134/paperarchive.html>

In addition to these publications, the co-chairs are working with the peer-reviewed *Journal of Agribusiness* to publish a special issue that features research presented at the NCCC-134 meeting. This represents an additional avenue for this research to be disseminated to other academic researchers and industry stakeholders.

## Basic Information

- **Project No. and Title:** NCCC134 : Applied Commodity Price Analysis, Forecasting, and Market Risk Management
- **Period Covered:** 10/01/2016 to 09/30/2017
- **Date of Report:** 04/27/2017
- **Annual Meeting Dates:** 04/24/2017 to 04/25/2017

## Participants

### Faculty and industry participants

Michael Adjemian — USDA Economic Research Service  
W. Christopher Alston — Mars  
Anton Bekkerman — Montana State University  
Marin Bozic — University of Minnesota  
Wade Brorsen — Oklahoma State University  
Roger Dahlgran — University of Arizona  
Jeff Dorfman — University of Georgia  
Matthew Elliott — South Dakota State University  
Xiaoli Etienne — West Virginia University  
Randy Fortenbery — Washington State University  
Julieta Frank — University of Manitoba  
Philip Garcia — University of Illinois  
Eleni Gousgounis — Stevens Institute of Technology  
Arne Hallam — Iowa State University  
Todd Hubbs — University of Illinois  
Olga Isengildina-Massa — Virginia Tech  
James Jackson — Tyson Foods  
Joe Janzen — Montana State University  
Berna Karali — University of Georgia  
Todd Kuethe — University of Illinois  
Eugene Kunda — CFTC  
Mindy Mallory — University of Illinois  
Fabio Mattos — University of Nebraska  
Andrew McKenzie — University of Arkansas  
Bill Nelson — Doane Advisory Service  
Darin Newson — DTN  
Paul Peterson — University of Illinois  
Ashley Renck — USDA Risk Management Agency  
Michel Robe — American University  
Dwight Sanders — Southern Illinois University  
Henry Schaefer — USDA FMMA  
Ryan Seely — USDA Risk Management Agency  
Teresa Serra — University of Illinois  
Charlie Smith — ADM  
Joshua Smith — Tyson Foods  
Gerald Wang — South Dakota State University  
Shuhei Yamamoto — University of Illinois / Nikkei

### Student participants

Yu Chen — University of Georgia  
Anabelle Couleau — University of Illinois  
Katie Cumming — University of Nebraska  
Fernanda de Barros Dias — University of Illinois  
Scott Gerlt — University of Missouri  
Matt Houser — University of Georgia  
Zhepeng Hu — University of Illinois  
Joshua Huang — University of Illinois  
Bradley Isbell — University of Arkansas  
Jiarui Li — University of Illinois  
Wenying Li — University of Georgia  
Yunhan Li — University of Georgia  
Rui Luo — Washington State University  
Will Maples — Mississippi State University  
Tyler Neff — Virginia Tech  
Alexander Ribeiro Scarcioffolo — West Virginia University  
Wenxing Song — Washington State University

Andrej Stensin — University of Illinois  
Chad Te Slaa — South Dakota State University  
Lei Yang — University of Illinois  
Jiahui Ying — University of Georgia  
Jiafeng Zhu — Virginia Tech

## Brief Summary of Minutes of Annual Meeting

### Date/Location:

April 24-25, 2017, St. Louis, Missouri, The Crowne Plaza St. Louis – Downtown Hotel. Conference began at 1:00 p.m., April 24, 2017.

### Meeting Agenda:

The NCCC-134 Regional Research Committee sponsored its 36th annual conference on Applied Commodity Price Analysis, Forecasting, and Market Risk Management on April 24-25, 2017 in St. Louis, Missouri. Twenty-six papers were presented by the authors and discussed among 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 eight members of the NCCC-134 Executive Committee from 41 two-page prospectuses submitted prior to the conference. The resulting collection of papers ranged across topics of 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.

Industry participants and well-established academic professionals are invited to speak during the business lunch. The goal of the luncheon speaking session is to discuss industry and research issues and discuss perspectives of successful economists. Presenting during the lunch allows discussion with the entire body of conference participants. This year, Mr. Darin Newsom – Senior Analyst at DTN – was the featured luncheon speaker. The title of his talk was “Demand in a Surplus World.” In his presentation, Mr. Newsom discussed the underlying factors that have driven corn, soybean, and wheat prices to historical lows in the past year, and the extent to which agricultural markets have responded. He focused on presenting information about how the demand side of those markets has responded and what can be expected in the near future. Following the luncheon speaker, the last paper session is held in the luncheon room such that all lunch attendees could participate in this session.

### Program:

#### **Monday, April 24, 2017**

**Session 1** - Moderator: Andrew McKenzie, *University of Arkansas*

“Improving USDA Price Forecasts.” Michael Adjemian, *USDA Economic Research Service*, Valentina Bruno, and Michel Robe, *American University*.

“Evaluating Crop Forecast Accuracy for Corn and Soybeans in the US, Brazil, and Argentina.” Katie Cumming, Fabio Mattos, *University of Nebraska*, Xiaoli Etienne, *West Virginia University*.

“Are USDA Announcement Effects Declining over Time?” Jiahui Ying and Jeffrey Dorfman, *The University of Georgia*.

**Session 1 (cont.)** - Moderator: Paul Peterson, *University of Illinois at Urbana-Champaign*



"Time Series Modeling of Cash and Futures Commodity Prices." Joshua Maples and Wade Brorsen, *Oklahoma State University*.

"Are Futures Prices Good Price Forecasts? – Nonlinearities in Efficiency and Risk Premiums in the Soybean Futures Complex." Joshua Huang, Teresa Serra, and Philip Garcia, *University of Illinois at Urbana-Champaign*.

"Futures-Based Forecasts of U.S. Crop Prices." Jiafeng Zhu, Olga Isengildina-Massa, and Jason Grant, *Virginia Tech University*.

**Session 2** - Moderator: Mindy Mallory, *University of Illinois at Urbana-Champaign*

"Margin Protection Program for Dairy Producers at Half-Time: Do We Need an Overhaul?" Aaron Richins, Fanda Yang, and Marin Bozic, *University of Minnesota*.

"Volatility Measures for Crop Insurance: Are We Sure We Have It Right?" Randall Fortenbery, *Washington State University*.

"Assessing the Accuracy of USDA's Farm Income Forecasts: The Impact of ARMS." Todd Kuethe, Todd Hubbs, *University of Illinois at Urbana-Champaign*, and Dwight Sanders, *Southern Illinois University*.

**Session 2 (cont.)** - Moderator: Fabio Mattos, *University of Nebraska*

"Dynamic Integration in the Regional U.S. Natural Gas Markets." Alexandre Scarcioffolo and Xiaoli Etienne, *West Virginia University*.

"Testing Spatial Price Linkages in US Southern Cattle Market: An Application of STAR Model with Future Market Hedging Behavior-Controlled Transitions." Yunhan Li, Wenying Li, and Jeffrey Dorfman, *The University of Georgia*.

"Corporate Hedging in Incomplete Markets: A Solution under Price Transmission." Rui Luo and Randall Fortenbery, *Washington State University*

**Tuesday, April 25, 2017**

**Session 3** - Moderator: Michel Robe, *American University*

"Assessing the Effects of Microstructure Noise on Realized Volatility in the Live Cattle Futures Market." Anabelle Couleau, Teresa Serra, and Philip Garcia, *University of Illinois at Urbana-Champaign*.

"The Effect of the Futures Pit Closure on Customer Orders: Evidence from the Livestock Futures Market." Eleni Gousgounis, *Stevens Institute of Technology*, and Esen Onur, *Commodity Futures Trading Commission*.

“The Long-Term Effects of Meat Recalls on Futures Markets.” Matt Houser and Jeffrey Dorfman, *The University of Georgia*.

**Session 3 (cont.)** - Moderator: Eleni Gousgounis, *Stevens Institute of Technology*

“Market Microstructure Dynamics in Agricultural Futures Markets.” Julieta Frank and Mehdi Arzandeh, *University of Manitoba*.

“Trade Impact in the Electronic Grain Futures Markets.” Zhiguang Wang, *South Dakota State University*, Suchismita Mishra, *Florida International University*, and Lisa Elliott, *South Dakota State University*.

“Measuring Price Discovery Between Nearby and Deferred Contracts in Storable and Non Storable Commodities.” Mindy Mallory, Teresa Serra, Philip Garcia, and Zhepeng Hu, *University of Illinois at Urbana-Champaign*.

**Session 4** - Moderator: Fabio Mattos, *University of Nebraska*

“US Yield Forecasting Using Crop Condition Rankings.” Fernanda de Barros Dias, Scott Irwin, and Darrel Good, *University of Illinois at Urbana-Champaign*.

“Forecasting Soft White and Hard Red Winter Wheat Basis in Washington State.” Randall Fortenbery and Wenxing Song, *Washington State University*.

“Automation in the Hedge-Ratio Estimation Cottage Industry.” Roger Dahlgran, *University of Arizona*.

**Session 4 (cont.)** - Moderator: : Roger Dahlgran, *University of Arizona*

“Metallgesellschaft Revisited.” Paul Peterson, *University of Illinois at Urbana-Champaign*, and Jin Choi, *DePaul University*.

“Hedging Effectiveness of Fertilizer Swaps.” William Maples, Wade Brorsen, *Oklahoma State University*, and Xiaoli Etienne, *West Virginia University*.

“Performance of the Producer Accumulator in Corn and Soybean Markets.” Chad Te Slaa, Lisa Elliott, Matthew Elliott, and Zhiguang Wang, *South Dakota State University*.

**Luncheon Speaker:** Mr. Darin Newsom, Senior Analyst, *DTN*

Topic: “Demand in a Surplus World”

**Session 5** - Moderator: Anton Bekkerman, *Montana State University*

“Algorithmic Trading and Livestock Market Quality.” Richard Haynes, *Commodity Futures Trading Commission*, Vikas Raman, *Warwick University*, Michel Robe, *American University*, and Pradeep Yadav, *University of Oklahoma*.

### **Business Meeting Minutes:**

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 co-chair, Anton Bekkerman, led the meeting. Anton Bekkerman indicated an attendance at this year's conference of 64 participants. This was significantly higher than the average attendance, which has ranged between 45 and 55 participants, and was higher than the previous year's already substantial attendance (57 participants). This indicates the continued success and growth of the group's importance.

Bekkerman announced that the 2018 NCCC-134 meeting will be held on April 16-17, 2018 at the Crowne Plaza Hotel Downtown Minneapolis, Minneapolis, MN. While this represents a departure from the long-standing downtown St. Louis, MO location, it also represents an opportunity to attract additional participants and expand the network of industry professionals with whom the group interacts.

Next, Bekkerman discussed a proposal to amend the prospectus assessment process. Currently, participants are invited to submit a prospectus, which is then sent for evaluation to the NCCC-134 executive council. To become more in-line with other groups' and organizations' paper selection procedures, Bekkerman proposed that the committee implement a blind online submission and evaluation process. After an opportunity to comment and discuss, and with no additional comments, Mindy Mallory moved to implement the blind online review process and Randy Fortenbery seconded the movement. The proposal passed unanimously. The new process will be implemented for the upcoming 2018 committee meeting.

Bekkerman next discussed that one of the committee's executive committee members has become inactive. Numerous attempts were made in the last two years to contact the inactive member to inquire about the member's interest in continuing to serve in the role, but this was without success. The member has not attended the previous two annual meetings, has not participated in the prospectus evaluation process, and has not at all communicated with the co-chairs or the other members of the executive committee. Bekkerman suggested that this member be replaced by an active member. After a brief discussion, Olga Isengildina-Massa was nominated, seconded, and unanimously approved by the group. Isengildina-Massa has been an active member of the NCCC-134 group for over 10 years and has shown interest in being in a leadership position for the group.

Next, Bekkerman asked the group to weigh in on interest in submitting a nomination for the NCCC-134 committee for the 2018 Experiment Station Section Awards for Excellence in Multistate Research. The NCCC-134 committee has been a highly active and successful group for 36 years, and certainly fits the award's purpose to "recognize those station scientists who are conducting exemplary multistate activities and enhance the visibility of the multistate program." The group was in agreement that submitting the nomination would be appropriate. Bekkerman then asked the group whether several of the more long-standing members would be willing to contribute 2-3 paragraph descriptions of what they believe to be the group's most notable accomplishments, which would then be compiled by the co-chairs into a nomination package. There was general enthusiasm to assist in this manner, and the co-chairs will send a follow-up to the group's members to solicit these descriptions.

Two additional discussions followed. Based on the responses from post-meeting survey last year, Berna Karali brought up the discussion point to post participants' presentations on the committee's website immediately following the conference in order to allow other participants to view informational content faster and in a more visual format. Business meeting participants noted that in many cases, presentations may not reflect information that the authors want to convey, especially when useful feedback is provided from the audience. Randy Fortenbery suggested that the authors can be asked to send their presentations along with their proceedings papers. However, there was some discussion that having presentations publicly available on the committee's website might not be desirable for some researchers and therefore should be sent out only to the meeting participants via email. The group decided not to post presentations and continue to publish only proceedings papers.

Second, Randy Fortenbery suggested that because there will be a change in location and venue for the 2018 annual meeting, a notification email announcing this change may be helpful several weeks before the call for proposals is issued in July 2017. The rationale is that some potential participants who may not have submitted proposals due to the meeting's location in St. Louis may be

more likely to prepare a submission after being notified of the location change. The co-chairs will coordinate sending this notification in early-June 2017.

No additional discussions were initiated.

### **Meeting Adjourned:**

3:15 p.m. April 25, 2016.

## **Accomplishments**

As in the past, the NCCC-134 Committee continues to be a leader in bringing together leaders in the research and application of applied commodity price analysis, forecasting, and market risk management. The annual meeting creates valuable research dissemination opportunities and the ability to bridge the gap between researchers across states, regions, and countries and stakeholders who will be applying that research. Overall, the attendance at this year's conference was 64 participants. This was significantly higher than the average attendance, which has ranged between 45 and 55 participants, and was higher than the previous year's already substantial attendance (57 participants). This indicates the continued success and growth of the group's importance.

Nine of the 26 papers, or 35%, are collaborative works by researchers at different institutions. These institutions include land grant universities, other public and private universities, government agencies, and private industry. This regional project is one of the main catalysts for the works. 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. The committee represents an important opportunity for academics to interact with industry leaders and government stakeholders. At this year's conference, 13 participants (20% of total attendees) were from outside of academia.

Furthermore, this meeting remains an important venue for graduate students to present their work. This year, 21 graduate students attended the conference (32% of total attendees), many of them presenting papers co-authored with faculty members. Many of them presented papers co-authored with faculty members and interacted with members of the group who regularly attend the meeting.

Lastly, Dr. Philip Garcia (University of Illinois)—a long-standing member and contributor to the NCCC-134 group—was selected as one of the 2017 Fellows of the Agricultural and Applied Economics Association (AAEA). Becoming an AAEA Fellow represents the highest honor in the agricultural profession, and Dr. Garcia joins three other long-standing and still active members of the NCCC-134 committee: Dr. Wade Brorsen, Dr. Jeffrey Dorfman, and Dr. Scott Irwin. This represents the continuing recognition by the agricultural economics profession of the importance of price analysis research to the field and the significant contributions that members of the NCCC-134 committee consistently make to that advancing that field.

## **Impacts**

## **Publications**

As the case in previous years, all research papers presented at this year's meeting will be published to the group's official website after June 1, 2017. These papers, as well as archived papers from the Committee's previous years, can be accessed at the following web address: <http://www.farmdoc.illinois.edu/nccc134/paperarchive.html>

## Basic Information

- **Project No. and Title:** NCCC134 : Applied Commodity Price Analysis, Forecasting, and Market Risk Management
- **Period Covered:** 10/01/2017 to 09/30/2018
- **Date of Report:** 04/17/2018
- **Annual Meeting Dates:** 04/16/2018 to 04/17/2018

## Participants

### Faculty and Professional Participants

Marie Steen—Norwegian University of Life Sciences  
Berna Karali—University of Georgia  
Christophe Gouel—INRA  
Olga Isengildina-Massa—Virginia Tech  
John Mykrantz—Federal Milk Marketing Administration  
Anton Bekkerman—Montana State University  
Matthew Diersen—South Dakota State University  
Sunil Mohanty—City University of New York  
Dwight Sanders—Southern Illinois University  
David Bullock—North Dakota State University  
Steve Koontz—Colorado State University  
Katie Johnson—Mars Inc.  
Nick Troiano—Mars Inc.  
Brian Werner—USDA Risk Management Agency  
Fabio Mattos—University of Nebraska  
Mykel Taylor—Kansas State University  
Mark Manfredo—Arizona State University  
Ardian Harri—Mississippi State University  
Eleni Gousgounis—Stevens Institute of Technology  
Daumantas Bloznelis—Katholieke Universiteit Leuven  
Ole Gjolberg—Norwegian University of Life Sciences  
Wade Brorsen—Oklahoma State University  
Hernan Tejeda—University of Idaho  
Mindy Mallory—University of Illinois  
Phil Garcia—University of Illinois  
Teresa Devesa—University of Illinois  
Mindy Mallory—University of Illinois  
Scott Irwin—University of Illinois  
Michel Robe—University of Illinois  
Jeff Dorfman—University of Georgia  
Julieta Frank—University of Manitoba  
Andres Trujilla Barrera—Wageningen University  
Arne Hallam—Iowa State University  
Christa Lachenmayr—CFTC  
Marin Bozic—University of Minnesota  
T Randall Fortenbery—Washington State University

### Student Participants

Andrej Stensin—Norwegian University of Life Sciences  
Tom Henriksen—Norwegian University of Life Sciences  
Jordan Clark—Albertsons  
Ana Couleau—University of Illinois  
Yu Wang—University of Georgia  
Tyler Neff—Virginia Tech  
Quanbiao Shang—University of Illinois  
Tatiana Drugova—Utah State University  
Charng-Jiun Yu—University of Wisconsin  
Robert Thompson—Mississippi State University  
Zarina Ismailova—West Virginia University  
Marjolein Verhulst—Wageningen University  
Selina Han—University of Illinois  
Joshua Huang—University of Illinois  
Xinyue He—University of Illinois  
Siyu Bian—University of Illinois  
Ryan Olson—University of Minnesota

# Brief Summary of Minutes of Annual Meeting

## Date/Location:

April 16-17, 2018, Minneapolis, MN, The Crowne Plaza Northstar Minneapolis. Conference began at 1:00 p.m., April 16, 2018.

## Meeting Agenda:

The NCCC-134 Regional Research Committee sponsored its 37th annual conference on Applied Commodity Price Analysis, Forecasting, and Market Risk Management on April 16-17, 2018 in Minneapolis, MN. Twenty-six papers were presented by the authors and discussed among meeting participants. The conference meeting held two concurrent sessions where research papers with similar methods, commodities, and/or issues are organized. The papers were selected by nine members of the NCCC-134 Executive Committee from 35 two-page prospectuses submitted prior to the conference. The resulting collection of papers ranged across topics of futures and options market analysis, market information, effects and management of market risk, price forecasting evaluations, microstructure assessment, 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.

There are also numerous opportunities to increase and build professional networks between researchers, graduate students, and industry participants. A reception is held at the conclusion of the first day of presentations. On the second day, industry participants and well-established academic professionals are invited to speak during the business lunch. The goal of the luncheon speaking session is to discuss industry and research issues and discuss perspectives of successful economists. Presenting during the lunch allows discussion with the entire body of conference participants. This year, Mr. Eric Jackson – CEO of Pipeline Foods – was the featured luncheon speaker. The title of his talk was “Supply Begets Demand: The Tortured Tale of Organic Grains.” In his presentation, Mr. Jackson discussed the current status of organic grain markets in the United States and the challenges and opportunities faced by supply chain participants. He focused on aspects such as price discovery, risk management, data assessment, and methods for accurately assessing demand and supply factors for organic grains. This year's luncheon discussion resulted in an extensive participation and interaction by conference participants. Following the luncheon speaker, the last paper session was held in the luncheon room such that all lunch attendees could participate in this session.

## Program:

### **Monday, April 16, 2018**

**Session 1** - Moderator: Eleni Gousgounis, *Stevens Institute of Technology*

“How Well Do Commodity Based ETFs Track Underlying Assets?” Tyler Neff and Olga Isengildina-Massa, *Virginia Tech University*.

“Can Agricultural Commodity Price Changes Be Harvested by Investing in Commodity-Linked Equities?” Tom Erik Henriksen, *NMBU School of Economics and Business*.

“Trading Activity, Concentration, and Commodity Bubbles.” Xue Han, Philip Garcia and Scott Irwin, *University of Illinois at Urbana-Champaign*.

**Session 1 (cont.)** - Moderator: Jeffrey Dorfman, *University of Georgia*

“Can Private Analysts Beat USDA? Analysis of Relative Accuracy of Crop Acreage and Production Forecasts.” Olga Isengildina-Massa, *Virginia Tech University*, Berna Karali, *University of Georgia*, and Scott Irwin, *University of Illinois at Urbana-Champaign*.

“The Value of Public Information in Storable Commodity Markets: Application to the Soybean Market.” Christophe Gouel, *INRA*.

“The Value of USDA Information: Price Volatility Spillovers and Microstructure Noise in Corn and Soybean Futures Market Prices.” Siyu Bian, Teresa Serra, and Philip Garcia, *University of Illinois at Urbana-Champaign*.

**Session 2** - Moderator: Mykel Taylor, *Kansas State University*

“Wholesale Beef Futures Contract.” Robert Thompson, Ardian Harri, Josh Maples, and Eunchun Park, *Mississippi State University*.

“Dynamic Price Discovery among Regional U.S. Fed Cattle Markets.” Hernan Tejada, *University of Idaho*, and Man-Keun Kim, *Utah State University*.

“Fed Cattle Price Forecasting: Error Explanation and Forecast Improvement.” Stephen Koontz and Patrick Linnell, *Colorado State University*.

**Session 2 (cont.)** - Moderator: Stephen Koontz, *Colorado State University*

“Market Power and Farm-Retail Price Transmission: The Case of U.S. Fluid Milk Markets.” Charng-Jiun Yu and Brian Gould, *University of Wisconsin-Madison*.

“Economic Analysis of Proposed Class I Milk Pricing Policy Reforms.” Marin Bozic and Jordan Clark, *University of Minnesota*.

“Impacts of Railroad Costs on Kansas Wheat Basis.” Anton Bekkerman, *Montana State University*, and Mykel Taylor, *Kansas State University*.

**Tuesday, April 17, 2018**

**Session 3** - Moderator: Anton Bekkerman, *Montana State University*

“The Importance of Intraday Jumps and Speed Trading in the U.S. Futures Corn Prices.” Anabelle Couleau, Philip Garcia, and Teresa Serra, *University of Illinois at Urbana-Champaign*.

“High Frequency Trading and Market Quality.” Neda Arzandeh and Julieta Frank, *University of Manitoba*.

“Block Trades in Options Markets.” Eleni Gousgounis, *Stevens Institute of Technology*, and Sayee Srinivasan, *Commodity Futures Trading Commission*.

**Session 3 (cont.)** - Moderator: Julieta Frank, *University of Manitoba*

“An Evaluation of Liquidity Measures in Market Microstructure: The Roll of Full Order Book Information.” Andres Trujillo-Barrera, *Wageningen University*, and Joost Pennings, *Maastricht University*.

“Cost of Immediacy during Large Price Movements: Evidence of Corn Futures Markets.” Xinyue He, *UIUC-ACE*, Philip Garcia, and Teresa Serra, *University of Illinois at Urbana-Champaign*.

“The Term Structure of Liquidity Provision in Agricultural Futures Markets.” Quanbiao Shang, Teresa Serra, Philip Garcia, and Mindy Mallory, *University of Illinois at Urbana-Champaign*.

**Session 4 - Moderator:** Marin Bozic, *University of Minnesota*

“Organic Wheat Prices and Premium Uncertainty: Can Cross Hedging and Forecasting Play a Role?” Tatiana Drugova, Veronica Pozo, Kynda Curtis, *Utah State University*, and Randall Fortenbery, *Washington State University*.

“Hedging Commodity Price Risk under Square Loss.” Daumantas Bloznelis, *Katholieke Universiteit Leuven*.

“Forecasting Crop Future Prices using Leading Economic Indicators and Bayesian Model Selection.” Yu Wang and Jeffrey Dorfman, *University of Georgia*.

**Session 4 (cont.) - Moderator:** Christophe Gouel, *INRA*

“Do Livestock Markets Still Value USDA Information?” Berna Karali, *University of Georgia*, Olga Isengildina-Massa, *Virginia Tech University*, and Scott Irwin, *University of Illinois at Urbana-Champaign*.

“Quantifying the Announcement Effect in the U.S. Lumber Market.” Zarina Ismailova, Shishir Shakya, and Xiaoli Etienne, *West Virginia University*.

“The Value of USDA Announcements: Evidence from Intraday Trading.” Joshua Huang, Teresa Serra, and Philip Garcia, *University of Illinois at Urbana-Champaign*.

**Luncheon Speaker:** Mr. Eric Jackson, CEO, *Pipeline Foods*

Topic: “Supply Begets Demand: The Tortured Tale of Organic Grains”

**Session 5 - Moderator:** Anton Bekkerman, *Montana State University*

“Going to Kansas City? Examining Working’s Wheat Price Discovery Puzzle.” Joseph Janzen, *Montana State University*, and Mindy Mallory, *University of Illinois at Urbana-Champaign*.

“Who Holds Positions in Agricultural Futures Markets? Evidence from Regulatory Data.” Michel Robe, *University of Illinois at Urbana-Champaign*, and John Roberts, *Commodity Futures Trading Commission*.



### **Business Meeting Minutes:**

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 co-chair, Anton Bekkerman, led the meeting. Anton Bekkerman indicated an attendance at this year's conference of 52 participants. This was on par with the average attendance, which has ranged between 45 and 55 participants. The slight decrease from the attendance in previous years was likely due to the change in location of the conference from St. Louis to Minneapolis. While the change may have decreased overall attendance numbers, it did result in the attendance of more participants from international locations and a different subset of industry participants. Bekkerman announced that a follow-up survey will be sent to conference participants to evaluate their opinions about the new location.

Bekkerman also announced that the special issue of the *Journal of Agribusiness*, which featured papers that were presented at the 2016 NCCC-134 annual meetings, was published.

Next, Bekkerman discussed the implementation of a new double-blind electronic submission and evaluation system for conference papers. Attendees and members of the NCCC-134 executive committee indicated that the system seemed to work well and that continuing to use the new submission/evaluation approach should be continued.

No additional discussions were initiated.

### **Meeting Adjourned:**

3:15 p.m. April 17, 2018.

## **Accomplishments**

As in the past, the NCCC-134 Committee continues to be a leader in bringing together leaders in the research and application of applied commodity price analysis, forecasting, and market risk management. The annual meeting creates valuable research dissemination opportunities and the ability to bridge the gap between researchers across states, regions, and countries and stakeholders who will be applying that research. Overall, the attendance at this year's conference was 52 participants. This was on par with average attendance, which has ranged between 45 and 55 participants. The slight decrease in attendance is likely due to switching the meeting location away from St. Louis to Minneapolis.

Nine of the 26 papers, or 35%, are collaborative works by researchers at different institutions. These institutions include land grant universities, other public and private universities, and government agencies. This regional project is one of the main catalysts for the works. 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. The committee represents an important opportunity for academics to interact with industry leaders and government stakeholders. At this year's conference, 7 participants (13% of total attendees) were from outside of academia.

Furthermore, this meeting remains an important venue for graduate students to present their work. This year, 17 graduate students attended the conference (33% of total attendees). Many of them presented papers co-authored with faculty members and interacted with members of the group who regularly attend the meeting.

In December 2017, the *Journal of Agribusiness* published a special issue of its journal. The special issue (volume 35, issue 2) featured papers that were presented during the 2016 NCCC-134 meetings, showcasing the research the NCCC-134 participants engage in. The introduction—written by Anton Bekkerman and Berna Karali—provided a history, overview, and context of the group. The special issue represents the high-quality research conducted by NCCC-134 participants and will enable other researchers and industry participants to learn about and engage with the group in the future.

The group also implemented a new abstract submission and evaluation system. In the past, papers were submitted via email to one of the conference organizers. Then, the papers were distributed to members of the NCCC-134 executive committee, and these reviewers would submit individual Excel sheets with their rankings back to the conference organizer. The organizer would then assemble all of the scores. This was a time-consuming effort that was not efficient. For the 2018 meeting, the conference organizers, Bekkerman and Karali, set up and implemented a new, electronic submission system that significantly streamlined the process. Authors submitted all of their materials through the system, members of the executive committee reviewed each anonymous paper and assigned rankings, and the system provided summaries of the scores to the organizers. The conference organizers then sent automated emails accepting and declining papers through the system. The electronic system represented a significant efficiency improvement and will continue to be used.

## Impacts

## Publications

As the case in previous years, all research papers presented at this year's meeting will be published to the group's official website after June 1, 2018. These papers, as well as archived papers from the Committee's previous years, can be accessed at the following web address: <http://www.farmdoc.illinois.edu/nccc134/paperarchive.html>

Additionally, the special issue of the *Journal of Agribusiness* features works by NCCC-134 participants and highlights research that was presented at the 2016 NCCC-134 meeting. The special issue also provides an introduction and overview of the research by NCCC-134 participants. The citation for this issue is: *Journal of Agribusiness* 35(2): 99-182

## Basic Information

- **Project No. and Title:** NCCC134 : Applied Commodity Price Analysis, Forecasting, and Market Risk Management
- **Period Covered:** 11/01/2018 to 09/30/2019
- **Date of Report:** 04/18/2019
- **Annual Meeting Dates:** 04/15/2019 to 04/16/2019

## Participants

### Faculty and Professional Participants

Stephen Koontz—Colorado State University  
Nicolas Legrand—INRA  
Arne Hallam—Iowa State University  
Glynn Tonsor—Kansas State University  
Joseph Janzen—Kansas State University  
Dan O'Brien—Kansas State University  
Mykel Taylor—Kansas State University  
David Bullock—North Dakota State University  
Wade Brorsen—Oklahoma State University  
Gerald Wang—South Dakota State University  
Berna Karali—University of Georgia  
Julieta Frank—University of Manitoba  
Tim Bodin—University of Minnesota  
Marin Bozic—University of Minnesota  
Fabio Mattos—University of Nebraska  
Elizabeth McLeod—USDA Risk Management Agency  
Ashley Renck—USDA Risk Management Agency  
Randy Fortenbery—Washington State University  
Kent Horsager—CSC Arbitrage Group  
Anton Bekkerman—Montana State University  
Dwight Sanders—Southern Illinois University  
Philip Garcia—University of Illinois  
Teresa Serra—University of Illinois  
Mindy Mallory—University of Illinois  
Olga Insigeldina-Massa—Virginia Tech University  
Roger Dahlgran—University of Arizona

### Student Participants

Rafael Baptista Palazzi—Catholic University, Rio de Janeiro  
Max Heigermoser—Leibniz Institute of Agricultural Development  
Andrew Swanson—Montana State University  
Will Maples—Oklahoma State University  
Sei Jeong—University of Georgia  
Alankrita Goswami—University of Georgia  
Yao Yang—University of Georgia  
Kexin Ding—University of Georgia  
Ryan Olson—University of Illinois  
Conner Naughton—University of Illinois  
Felipe Grimaldi Avileis—University of Illinois  
Zhepeng Hu—University of Illinois  
Pierrick Piette—University of Lyon  
Ruoding Shi—Virginia Tech  
Quanbiao Shang—University of Illinois  
Kyle Jore—University of Minnesota

## Brief Summary of Minutes of Annual Meeting

### Date/Location:

April 15-16, 2019, Minneapolis, MN, The Crowne Plaza Northstar Minneapolis. Conference began at 1:00 p.m., April 15, 2019.

### Meeting Agenda:

The NCCC-134 Regional Research Committee sponsored its 38th annual conference on Applied Commodity Price Analysis, Forecasting, and Market Risk Management on April 15-16, 2019 in Minneapolis, MN. Twenty-six papers were presented by the authors and discussed among meeting participants. The conference meeting held two concurrent sessions where research papers with similar methods, commodities, and/or issues are organized. The papers were selected by ten members of the NCCC-134 Executive Committee from 32 two-page prospectuses submitted prior to the conference. The resulting collection of papers ranged across topics of futures and options market analysis, market information, effects and management of market risk, price forecasting evaluations, microstructure assessment, 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.

There are also numerous opportunities to increase and build professional networks between researchers, graduate students, and industry participants. A reception was held at the conclusion of the first day of presentations. On the second day, industry participants and well-established academic professionals were invited to speak during the luncheon. The goal of the luncheon speaking session is to discuss industry and research issues and discuss perspectives of successful economists. Presenting during the lunch allows discussion with the entire body of conference participants. This year, Mr. Kent Horsager – CEO of CSC Arbitrage Group LLC – was the featured luncheon speaker. Mr. Horsager has had a long and highly successful career in agricultural commodity markets, most notably being the CEO and President of the Minneapolis Grain Exchange in 2005–2008.

The title of his talk was “Commodity Markets: A Practitioner's Perspective.” In his presentation, Mr. Horsager discussed the historical evolution of commodity exchanges and where the landscape stands today. He focused on the transition of exchanges from pit to electronic trading, and the challenges and opportunities that this transition has brought to the agricultural industry. He also posed questions and encouraged discussion about how the academic world could better communicate their work to the industry. This year's luncheon discussion resulted in an extensive participation and interaction by conference participants. Following the luncheon speaker, the last paper session was held in the luncheon room such that all lunch attendees could participate in this session.

### **Program:**

#### **Monday, April 15, 2019**

##### **Session 1 - Moderator: Nicolas Legrand, *INRA***

“Lifting the Veil on the Iceberg: An Analysis of Hidden Liquidity in the U.S. Agricultural Futures Markets.” Quanbiao Shang, Maria Teresa Serra Devesa, Philip Garcia, and Mindy Mallory, *University of Illinois at Urbana-Champaign*.

“Double Edged Sword: Liquidity Implications of Futures Hedging in Corn and Soybean Markets.” Ruoding Shi and Olga Isengildina-Massa, *Virginia Tech University*.

“Basis Convergence and Forward Contracting for Kansas Wheat.” Mykel Taylor, *Kansas State University*, Randy Fortenbery, *Washington State University*, and Glynn Tonsor, *Kansas State University*.

##### **Session 1 (cont.) - Moderator: Mykel Taylor, *Kansas State University***

“Informed Trading and the O/F Ratio.” Xue Han, Mindy Mallory, and Michel Robe, *University of Illinois at Urbana-Champaign*.

“Can Satellite Images Forecast Unanticipated Information from USDA Reports? Evidence on Corn Yield Estimates.” Pierrick Piette, *University Lyon*.

“Fundamentals and Grain Futures Markets.” Berna Karali, *University of Georgia*, Olga Isengildina Massa, *Virginia Tech University*, and Scott Irwin, *University of Illinois at Urbana-Champaign*.

**Session 2** - Moderator: David Bullock, *North Dakota State University*

“An Update and Re-estimation of the ERS Livestock Baseline Model.” William Maples, Wade Brorsen, *Oklahoma State University*, Leknath Chalise, and William Hahn, *USDA Economic Research Service*.

“Managing Risk in Ethanol Processing Using Formula Pricing Contracts.” David Bullock and William Wilson, *North Dakota State University*.

“Using Hybrid Short/Long-Term Forecast Models to Evaluate Cost Estimates of Proposed Reforms to Margin Protection Program for Dairy Producers.” Marin Bozic, Jore Kyle, Tommy Keller, *University of Minnesota*, John Newton, *American Farm Bureau Federation*, Mark Stephenson, *University of Wisconsin*, and Anne Effland, *USDA, Office of the Chief Economist*.

**Session 2 (cont.)** - Moderator: Marin Bozic, *University of Minnesota*

“Sources of Errors in USDA’s Net Cash Income Forecasts.” Olga Isengildina-Massa, *Virginia Tech University*, Berna Karali, *University of Georgia*, Todd Kuethe, *University of Illinois at Urbana-Champaign*, and Ani Katchova, *The Ohio State University*.

“Wheat Futures Trading Volume Forecasting and the Value of Extended Trading Hours.” Joseph Janzen, *Kansas State University*, and Nicolas Legrand, *INRA*.

“Intraday Trading Invariance in the Grain Futures Markets.” Zhiguang Wang, *South Dakota State University*.

**Tuesday, April 16, 2019**

**Session 3** - Moderator: Joseph Janzen, *Kansas State University*

“The Change in Price Elasticities in the U.S. Beef Cattle Industry and the Impact of Futures Prices in Estimating the Price Elasticities.” Sei Jeong, *University of Georgia*.

“Evaluation of Ambiguity in Commodity Futures Markets: Analysis of Corn and Coffee Futures Prices.” Waldemar Souza, *Federal University of Alagoas – UFAL*, Rafael Palazzi, *Catholic University of Rio de Janeiro - PUC RJ*, Carlos Heitor Campani, *Federal University of Rio de Janeiro – UFRJ*, and Martin Bohl, *University of Muenster*.

“Algorithmic Trading in Agricultural Commodity Futures Markets.” Zhepeng Hu, Maria Teresa Serra Devesa, and Philip Garcia, *University of Illinois at Urbana-Champaign*.

**Session 3 (cont.)** - Moderator: Gerald Wang, *South Dakota State University*

“Corn-Crush Hedging – Does Location Matter?” Roger Dahlgran and Rajat Gupta, *University of Arizona*.

“Factors Influencing the Gulf and PNW Export Soybean Basis: An Exploratory Statistical Analysis.” David Bullock and William Wilson, *North Dakota State University*.

“Basis Forecasting Performance of Composite Models: An Application to Corn and Soybean Markets.” Kexin Ding and Berna Karali, *University of Georgia*.

**Session 4** - Moderator: Roger Dahlgran, *University of Arizona*

“Where to Hedge? Optimal Hedge in Cointegrated Markets: The Case of Corn in Brazil and the U.S.” Felipe Grimaldi Avileis and Mindy Mallory, *University of Illinois at Urbana-Champaign*.

“What Drives Black Sea Grain Prices?” Maximilian Heigermoser and Linde Götz, *Leibniz Institute of Agricultural Development in Transition Economies–IAMO*.

“How Far is too Far for Volatility Transmission?” Yao Yang and Berna Karali, *University of Georgia*

**Session 4 (cont.)** - Moderator: Anton Bekkerman, *Montana State University*

“Does a Nexus Exist between Implied Volatility and Storage Regimes in Agricultural Commodity Markets?” Alankrita Goswami and Berna Karali, *University of Georgia*.

“The Delaying Effect of Storage on Investment: Evidence from The Crude Oil Sector.” Nicolas Legrand, *INRA*.

“Commodity Speculation and the Overshooting Theory.” Conner Naughton and Mindy Mallory, *University of Illinois at Urbana-Champaign*.

**Luncheon Speaker:** Mr. Kent Horsager, President, *CSC Arbitrage Group, LLC*

Topic: “Commodity Markets: A Practitioner’s Perspective”

**Session 5** - Moderator: Berna Karali, *University of Georgia*

“Cost and Cooperation: The Effects of Section 199 on the Basis Offered by Grain Marketing Cooperatives.” Anton Bekkerman, Andrew Swanson, *Montana State University*, and Mykel R Taylor, *Kansas State University*.

“Spatial Commodity Basis Changes and the Value of Agricultural Land.” Joseph Janzen and Mykel Taylor, *Kansas State University*.

## **Business Meeting Minutes:**

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 co-chair, Anton Bekkerman, led the meeting. The following information was discussed.

### **Informational**

- Low submission to 2018 Proceedings: 13 out of 26 papers (50%)
- Total proposals submitted: 32 (35 in 2018)
- Participation is down: 42 (54 in 2018 or 64 in 2017)---making us nervous in our ability to meet hotel's room number for block rate.
- Withdrawals are significantly up (4 papers): most notified us only 2-3 weeks before the conference, making us scramble to ask folks to add papers.
- Worked with AgEconSearch (UMN) to transfer all of the NCCC-134 online archive to their database. This will help create more exposure for papers!
- NCCC-134 Project five-year renewal is in 2020---requires process to be completed in Fall 2019.

### **Discussion / Action Items**

- Should we impose early registration deadline for presenters to help reduce the number of withdrawals and/or allow for sufficient time to ask proposals that were not initially accepted to participate?
- Location of next meeting: Minneapolis, St. Louis, Kansas City, Dallas, Bozeman, Atlanta... others?
- Hotel preference going forward:
  - Are we looking for lowest price (to keep registration fees down)?
  - Are we looking for higher quality (both facility and food)?
  - Are we okay with a hotel that doesn't have public transportation from airport?
  - Are we looking for location that's more "downtown" or is an "airport hotel" okay?
    - We can look for what the group wants...just need your input.
- Timing of next meeting:
  - Kansas-State-CFTC conference is typically in April one-week prior to NCCC-134. Our group's participants are likely to also be participants in CFTC conference. May limit number of NCCC-134 participants.

- Do we want to "piggyback" with CFTC meeting location/timing? (Reached out to CFTC conference organizers, and they don't want to do joint. But we could do back-to-back).
- Do we want to move NCCC-134 to another time period (earlier/later in the spring; early fall)?
- Current NCCC-134 co-chair term is ending in 2020 (one more meeting by Karali/Bekkerman).
  - Need to elect new chairs. Nominations / vote.
  - New co-chairs will lead the renewal process in 2019 with assistance of current chairs.
  - Should we make the term be 3 or 4 years rather than 5?

## **Decisions / Outcomes**

1. Idea to implement a February 1 deadline for presenters was deemed as appropriate.

2. Many participants indicated that they would attend the conference regardless of where it is held. Some preference indicated for hotels in downtown areas. Because many of the executive committee members were not at the business meetings, co-chairs announced that they will bring this information to the executive committee and make a decision about next year's location during a conference call in the next several weeks.

3. Nomination for Mindy Mallory (U. Illinois) and Olga Insigeldina-Massa (Virginia Tech) was made for the next co-chair leadership team. Fabio Mattos moved to elect the new team. Matthew Diersen seconded the motion. The new team was approved unanimously.

4. Discussion of a 1+3 year term (1 transition year + 3 full leadership years) was discussed and many participants indicated that this would be appropriate. Co-chairs will discuss this change with the executive committee using a conference call in the next several weeks.

No additional discussions were initiated.

## **Meeting Adjourned:**

3:15 p.m. April 16, 2019.

## **Accomplishments**

As in the past, the NCCC-134 Committee continues to be a leader in bringing together leaders in the research and application of applied commodity price analysis, forecasting, and market risk management. The annual meeting creates valuable research dissemination opportunities and the ability to bridge the gap between researchers across states, regions, and countries and stakeholders who will be



applying that research. Overall, the attendance at this year's conference was 42 participants. This was somewhat below average attendance, which has ranged between 45 and 55 participants.

Eight of the 26 papers, or 31%, are collaborative works by researchers at different institutions. These institutions include land grant universities, other public and private universities, and government agencies. This regional project is one of the main catalysts for the works. 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. The committee represents an important opportunity for academics to interact with industry leaders and government stakeholders.

Furthermore, this meeting remains an important venue for graduate students to present their work. This year, 16 graduate students attended the conference (38% of total attendees). This represents a 12% increase since last year. Many of them presented papers co-authored with faculty members and interacted with members of the group who regularly attend the meeting.

In March 2019, AgEcon Search invited the NCCC-134 to copy its archive of papers—hosted on the NCCC-134 website—to the AgEcon Search database. AgEcon Search is one of the largest (if not the largest) public database of agricultural economics works. It is hosted by the University of Minnesota and provides a searchable interface for academic, industry, and government stakeholders. Having NCCC-134 proceedings papers hosted on AgEcon Search will provide greater exposure to the work that the group develops. The invitation for the co-hosting of NCCC-134 proceedings papers by AgEcon Search is also a signal that the group's efforts are highly recognized by the profession.

## Impacts

## Publications

As the case in previous years, all research papers presented at this year's meeting will be published to the group's official website after June 1, 2019. These papers, as well as archived papers from the Committee's previous years, can be accessed at the following web address: <http://www.farmdoc.illinois.edu/nccc134/paperarchive.html>

Additionally, beginning in March 2019, the full NCCC-134 archive is also available on the AgEcon Search website. This is one of the largest searchable repository for agricultural economics research. The archive can be accessed at the following web address: <https://ageconsearch.umn.edu/collection/1249?ln=en>