

Minutes: 2006 Meeting

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

Date/Location: April 17-18, 2006, St. Louis, Missouri, Adam's Mark Hotel, 4th and Chestnut Streets.

Conference began at 1:00 p.m., April 17, 2006.

Participants:

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Research Papers Presented:

Session 1 – John D. Lawrence, Iowa State University

“Improving Feedlot Net Revenue Forecasting.” Glynn T. Tonsor & Ted C. Schroeder, Kansas State University.

“The Value of Information at Iowa Feeder Cattle Auctions.” Harun Bulut & John D. Lawrence, Iowa State University.

“An Assessment of the Livestock Mandatory Reporting Act.” Clement E. Ward, Oklahoma State University.

“Value of Single Source and Backgrounded of Cattle as Measured by Health and Feedlot Profitability.” Babatunde Abidoye, Harun Bulut, & John Lawrence, Iowa State University.

“Oligopsony Power? Evidence from the U.S. Fed Cattle Markets.” Xiaowei Cai & Kyle Stiegert, University of Wisconsin-Madison, & Stephen Koontz, Colorado State University.

“Impacts of ‘Right of First Refusal’ on Competitiveness of Fed Cattle Markets: Results from an

Economic Experiment.” Stephen R. Koontz, Colorado State University.

Session 2 – B. Wade Brorsen, Oklahoma State University

“Price and Profit: Investigating a Conundrum.” Carl R. Zulauf, Ohio State University, Gary Schnitkey, University of Illinois, & Carl T. Norden, Purdue University.

“Multiple Horizons and Information in USDA Production Forecasts.” Dwight R. Sanders, Southern Illinois University, & Mark R. Manfreda, Arizona State University.

“Evaluation of Empirical Approaches to Estimating WASDE Price Forecast Intervals.” Olga Isengildina, Scott H. Irwin, & Darrel L. Good, University of Illinois.

“Statistical Testing for Response to News: Results with Binary Explanatory Variables of Different Frequencies.” Jeffrey H. Dorfman, University of Georgia.

“U.S. and Canadian Livestock Prices: Market Integration and Trade Dependence.” Dragan Miljkovic, North Dakota State University.

“Soybean Acreage Response in Brazil.” Mauricio Moraes, University of Illinois.

Session 3 – Philip Garcia, University of Illinois.

“Is Storage at a Loss Merely an Illusion of Aggregation?” Jason R.V. Franken, Philip Garcia, & Scott H. Irwin, University of Illinois.

“Explaining Storage When Price is Expected to Decline.” Carl R. Zulauf, Ohio State University.

“Determinants of Organic Grain Prices.” Ross D. Heiman & Hikaru Hanawa Peterson, Kansas State University.

“The Cost of Forward Contracting after Harvest.” Wei Shi, Scott H. Irwin, Darrel L. Good, & Robert Merrin, University of Illinois.

“Farmers’ Subjective Perceptions of Yield and Yield Risk.” Thorsten M. Egelkraut, Oregon State University, & Bruce J. Sherrick, Philip Garcia, & Joost M.E. Pennings, University of Illinois.

“Impacts of the Rules for Calculating APH on the Performance of APH Insurance.” Alisher Umarov, Bruce Sherrick, & Gary Schnitkey. University of Illinois.

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

“Pricing a Futures Contract for Wholesale Beef and Implications for Hedging.” Ardian Harri,

John D. Anderson, & Keith H. Coble, Mississippi State University.

“Dairy Farm Owner & Operator Views on Managing Risk: As Extension Educators Are We Listening to Their Story?” Cameron S. Thraen, & Dianne Shoemaker, Ohio State University.

“Effect of Hurricanes Katrina and Rita on the Corn Futures Prices.” Angel Lara & Corinne Alexander, Purdue University.

“A Term Structure Model for Commodity Prices: Does Storability Matter?” Chuanyi Lin & Matthew C. Roberts, Ohio State University.

“Is the Local Basis Really Local?” Mark R. Manfredo, Arizona State University, & Dwight R. Sanders, Southern Illinois University.

“Are Corn and Soybean Options Too Expensive?” Hernán A. Urcola & Scott H. Irwin, University of Illinois.

Session 5 – Mark R. Manfredo, Arizona State University

“The Impact of Foot-and-Mouth Disease on Prices of Pork and Beef: the Experience in Korea.” Jae Sun Roh & Sang Soo Lim, Seoul National University, & Brian D. Adam, Oklahoma State University.

“A Comparative Evaluation of Cash Flow versus Batch Profit Hedging Effectiveness in Commodity Processing.” Roger A. Dahlgran, University of Arizona.

Session 6 – Stephen R. Koontz, Colorado State University

“Futures Hedging in a Prospect Theory Framework.” Fabio Mattos, Philip Garcia, & Joost M.E. Pennings, University of Illinois.

“Should Farmers Follow the Recommendations of Market Advisory Services? A Bayesian Approach to Performance Evaluation.” Silvina M. Cabrini, Scott H. Irwin & Darrel L. Good, University of Illinois.

Meeting Agenda:

The NCCC-134 Regional Research Committee sponsored its 23st annual conference on Applied Commodity Price Analysis, Forecasting, and Market Risk Management on April 17-18 in St. Louis, Missouri. Twenty-eight papers were presented and discussed. The conference meeting holds two concurrent sessions where research papers with similar methods, commodities, and/or issues are discussed. The papers were selected by the ten members of the NCCC-134 Executive

Committee from 36 two-page prospectuses submitted four months 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. Submissions of preliminary works are encouraged.

Six of the 28 papers, or 21%, are collaborative works by researchers at different institutions. This regional project is the main reason for these 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 professional 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 (Jake) Ferris, Professor Emeritus, Department of Agricultural Economics, Michigan State University spoke on his 40 years of experience modeling and forecasting agricultural markets. Participants were interested in the market changes that Dr Ferris foresaw due to the growth in agriculture commodity-based ethanol and bio-diesel production and marketing.

Following the research paper presentations program a short business meeting of the NCR-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 graduate students and industry colleagues in attendance and participating. Attendance was smaller than previous year because of some missing traditional participants but Dr Koontz spoke with each of those people and they missed the meeting only because of personal commitments and emergencies.

Arnie Hallam, the committee administrative advisor, spoke to the business meeting participants. Dr Hallam communicated the committee's status in the renewal process 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 2006. Scott Irwin of the University of Illinois offered to host the NCCC-134 website. The NCCC-134 website will be moved from University of Missouri to the University of Illinois' farmdoc website (<http://www.farmdoc.uiuc.edu/>).

Next year's meeting was tentatively scheduled for April 16-17, 2007 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 October 2006. Stephen Koontz will continue to serve as committee coordinator.

Meeting Adjourned: 5:00 p.m. April 18, 2006.

Respectfully submitted,

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

Arnie Hallam, Iowa State University, Administrative Advisor