

## MINUTES 2008 MEETING

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

**Date/Location:** April 21-22, 2008, St. Louis, Missouri, The Hyatt Regency St. Louis Riverfront Hotel

Conference began at 1:00 p.m., April 21, 2008.

### **Participants:**

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### **Program:**

#### **Monday, April 21st, 2008**

**Session 1** – Moderator: Matthew Roberts, The Ohio State University

“Adequacy of Speculation in Agricultural Futures: Too Much of a Good Thing?” Dwight R. Sanders, Southern Illinois University & Scott H. Irwin & Robert Merrin, University of Illinois.

“Market Depth in Agricultural Futures Markets.”  
Julieta Frank & Philip Garcia, University of Illinois.

“Dynamic Decision Making in Agricultural Futures and Options Markets.” Fabio Mattos & Philip Garcia & Joost M.E. Pennings, University of Illinois.

**Session 1 (cont.)** – Moderator: Thorsten Egelkraut, Oregon State University

“Volatility Persistence in Commodity Futures: Inventory and Time-to-Delivery Effects.” Berna Karali, University of Georgia & Walter N. Thurman, North Carolina State University.

“Full Information Estimation of the Grain Futures Price Term Structure with Flexible Form Test of the Kaldor-Working Hypothesis.” Gabriel J. Power, Texas A&M University.

“The Unbiased Implied Volatility – Market Microstructure Approach.” Kanlaya Jintanakul, Iowa State University.

**Session 2** – Moderator: Cameron Thraen, The Ohio State University

“Hedging Effectiveness around USDA Crop Reports.” Navinderpal Singh & Andrew McKenzie, University of Arkansas.

“Hedging Effectiveness in the Presence of Market Access Risk.” Glynn T. Tonsor, Michigan State University.

“The Shape of the Optimal Hedge Ratio: Modeling Joint Spot-Futures Prices Using an Empirical Copula-GARCH Approach.” Gabriel J. Power & Dmitry V. Vedenov, Texas A&M University.

**Session 2 (cont.)** - Moderator: Dragan Miljkovic, North Dakota State University

“Theoretical Ambiguity on the Impact of Exchange Rate Volatility on Trade: An Analysis of the U.S. Cotton Export Market.” Siddharth Bajpal & Smarendu Mohanty, Texas Tech University.

“The Implication of Cotton Price Behavior on Market Integration Between the U.S. and China.” Yuanlong Ge & Holly Wang, Purdue University.

“A Comparison of Threshold Cointegration and Markov Switching Vector Error Correction Models in Price Transmission Analysis.” Rico Ihle & Stephan von Cramon-Taubadel, Georg-August-Universität Göttingen, Germany.

**Tuesday, April 22nd, 2008**

**Session 3** – Moderator: Brian Adam, Oklahoma State University

“Hay Price Forecasts at the State Level.” Matthew Diersen, South Dakota State University.

“Organic Premiums of U.S. Fresh Produce.” Travis A. Smith, University of Georgia & Biing-Hwan Lin, USDA & Chung L. Huang, University of Georgia.

“Wheat Variety Selection: An Application of Portfolio Theory to Improve Returns.” Andrew P. Barkley & Hikaru Hanawa Peterson, Kansas State University.

**Session 3 (cont.)** – Moderator: Miguel Gomez, University of Illinois

“The Marketing Performance of Illinois and Kansas Wheat Farmers.” Sarah Dietz, Nicole Aulerich, Scott H. Irwin & Darrel L. Good, University of Illinois.

“Can Real Option Values Explain Why Producers Appear to Store Too Long?” Hyun Seok Kim & B. Wade Brorsen, Oklahoma State University.

“Do Farmers Hedge Optimally or by Habit? A Bayesian Partial-Adjustment Model of Farmer Hedging.” Jeffrey H. Dorfman and Berna Karali, University of Georgia.

**Session 4** – Moderator: Randall Fortenbery, University of Wisconsin

“Do Transaction Costs and Risk Preferences Influence Marketing Arrangements in the Illinois Hog Industry?” Jason R.V. Franken & Joost M.E. Pennings & Philip Garcia, University of Illinois.

“Cash Settlement of Lean Hog Futures Contracts.”  
Julieta Frank & Miguel I. Gomez & Philip Garcia, University of Illinois.

“A Comprehensive Test of New Time Series Forecasting Techniques in the U.S. Hog Market.”  
Evelyn V. Colino & Scott H. Irwin, University of Illinois.

**Session 4 (cont.)** – Moderator: Glynn Tonsor, Michigan State University

“Coordinated Genetics in a Commercial Beef Herd Timed/Synchronized AI Program.” Joe Parcell, University of Missouri & Daniel Schaefer, MFA Inc., & Dave Patterson, University of Missouri & Mike John & Kent Haden, MFA Inc.

“Price Impacts of Natural and other Certifications on Feeder Cattle Prices.” Gary Halverson, Dee Von Bailey, Chad Harris & Dillon M. Feuz, Utah State University.

“Economic Impact of Alternative Traceability Systems in U.S. Meat Supply Chain: An Equilibrium Displacement Modeling Approach.” Harun Bulut & John D. Lawrence, Iowa State University.

**Luncheon Speaker:** Mr. Mike McCully, Director, Dairy Procurement, Kraft Foods

“Market Analysis in Volatile Times – A Food Company Perspective”

**Session 5** – Moderator: Jose Toasa, USDA – Economic Research Service & The George Washington University

“Impacts of Government Risk Management Policies on Hedging in Futures and Options: LPM2 Hedge Model vs. EU Hedge Model.” Rui (Carolyn) Zhang & Jack E. Houston, University of Georgia & Dmitry V. Vedenov, Texas A&M University & Barry J. Barnett, Mississippi State University.

“Hedging Effectiveness Forecasting.” Roger A. Dahlgran, University of Arizona.

**Session 6** – Moderator: Greg Price, Commodity Futures Trading Commission

“Implications of Growing Biofuels Demands on Northeast Livestock Feed Costs.” Todd Schmit, Leslie Verteramo, William G. Tomek, Cornell University.

“Ethanol and Corn Price Volatility: Should we be Concerned?” Hikaru Hanawa Peterson, Kansas State University & Philip Garcia, Scott H. Irwin & Nicole M. Aulerich, University of Illinois.

### **Meeting Agenda:**

The NCCC-134 Regional Research Committee sponsored its 27<sup>th</sup> annual conference on Applied Commodity Price Analysis, Forecasting, and Market Risk Management on April 21-22 in St. Louis, Missouri. Twenty-eight 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 ten members of the NCCC-134 Executive Committee from 40 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.

Six of the 28 papers, or 21%, are collaborative works by researchers at different institutions. This regional project is one of the main catalysts 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 discussion with the entire body of conference participants. This year, Mr. Mike McCully – Director of Dairy Procurement with Kraft Foods – was the featured luncheon speaker. The title of his talk was “Market Analysis in Volatile Times: A Food Company Perspective”. In his presentation, Mr. McCully discussed the challenges faced by large food companies in the presence of volatile and escalating commodity prices. Mr. McCully also emphasized the continued need for quality university programs emphasizing commodity price analysis, and suggested the need for industry-university partnerships. Having the meeting in St. Louis helped

draw a considerable number of agribusiness industry participants from the St. Louis area including representatives from ADM and Monsanto.

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 Coordinators, Mark Manfredo and Dwight Sanders, indicated an attendance at this year's conference of 78 participants (33 more participants than in 2007). Many of the additional participants were new to the meeting, and had not participated in the conference in previous years. As well, industry participation had increased. Special notice was made of the large number of industry colleagues and graduate students in attendance and participating. In general, it was acknowledged by the committee that there has been a resurgence of interest in the area of commodity price analysis and risk management given the recent high prices and volatility in commodity markets among other important issues. Given this, it was concluded that the NCCC-134 continues to be an important catalyst for research in the area of commodity price analysis and risk management.

Scott Irwin of the University of Illinois announced the procedure for submitting papers to be posted as electronic proceedings on the NCCC-134 website. The site address is <http://www.farmdoc.uiuc.edu/nccc134/>. The site will continue to hold committee announcements as well as all papers from all past meetings.

Next year's meeting is scheduled for April 20–21, 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 October 2008. The specific location of the 2009 meeting would be announced to the committee at a later date. Mark Manfredo from Arizona State University and Dwight Sanders from Southern Illinois University have volunteered to continue to serve as committee coordinators.

Meeting Adjourned: 5:00 p.m. April 22, 2008.

Respectfully submitted,

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