

## MINUTES 2009 MEETING

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

**Date/Location:** April 20-21, 2009, St. Louis, Missouri, The Crowne Plaza St. Louis – Downtown Hotel. Conference began at 1:00 p.m., April 20, 2009.

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### **Program:**

**Monday, April 20th, 2009**

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

“A Limited Information Bayesian Forecasting Model of the Cattle Subsector.” Babatunde Abidoye & John Lawrence, *Iowa State University*.

“Does Futures Price Volatility Differ Across Delivery Horizon?” Berna Karali, Jeffrey Dorfman, *University of Georgia*, & Walter Thurman, *North Carolina State University*.

“Evaluating the Dynamic Nature of Market Risk.” Todd Hubbs, Todd Kuethe, & Tim Baker, *Purdue University*.

**Session 1 (cont.)** – Moderator: Linwood Hoffman, USDA – Economic Research Service

“Grain Futures Markets: What Have They Learned?” Joseph Santos, *South Dakota State University*.

“The Effects of the Micro-Market Structure for Kansas Grain Elevators on Spatial Grain Price Differentials.” Daniel O’Brien, *Kansas State University*.

“Commercial Grain Merchandisers: What Do They Need to Know?” Brandon Kliethermes, Joe Parcell, & Jason Franken, *University of Missouri*.

**Session 2** – Moderator: João Martines-Filho, University of São Paulo, Brazil

“Toward a Better Hedging Effectiveness Estimator.” Roger Dahlgran, *University of Arizona*.

“Do Composite Procedures Really Improve the Accuracy of Outlook Forecasts?” Evelyn Colino, Scott Irwin, & Phil Garcia, *University of Illinois*.

“Basis Forecasts and the Law of One Price.” Robert Hatchett, Wade Brorsen, & Kim Anderson, *Oklahoma State University*.

**Session 2 (cont.)** - Moderator: Dmitry Vedenov, Texas A&M University

“Comparing the Cost of Hedging to Other Input Costs.” John Riley & John Anderson, *Mississippi State University*.

“Revenue Risk Reduction Impacts of Crop Insurance in a Multi-Crop Framework.” Joshua Woodard, Bruce Sherrick, & Gary Schnitkey, *University of Illinois*.

“Livestock Gross Margin-Dairy Insurance: The Good, the Bad and the Not-so-well Understood - An Extension Dairy Economist’s Critique.” Cameron S. Thraen, *The Ohio State University*.

**Tuesday, April 21st, 2009**

**Session 3** – Moderator: Matthew Diersen, South Dakota State University

“Liquidity Costs in Futures Options Markets.” Samarth Shah, Wade Brorsen, & Kim B. Anderson, *Oklahoma State University*.

“Are Live and Feeder Cattle Options Priced Efficiently?” Lee Brittain, Philip Garcia, & Scott Irwin, *University of Illinois*.

“Estimating the Distribution of Maximum Margin Exposure for Futures Contracts.” Matthew Roberts, *The Ohio State University*.

**Session 3 (cont.)** – Moderator: Greg Price, Commodity Futures Trading Commission

“The Effect of Prior Gains and Losses on Current Risk-Taking Using Quantile Regression.” Fabio Mattos & Philip Garcia, *University of Illinois*.

“Cotton Futures Dynamics: Structural Change, Index Traders and the Returns to Storage.” Gabriel Power & John Robinson, *Texas A&M University*.

“A Speculative Bubble in Commodity Futures Prices? A Review of the Evidence.” Dwight Sanders, *Southern Illinois University*, Scott H. Irwin & Robert Merrin, *University of Illinois*.

**Session 4** – Moderator: Jeffrey Dorfman, University of Georgia

“Dynamic Risk Management Strategy for an Ethanol Producer.” Hwanil Park & Randall Fortenbery, *University of Wisconsin*.

“Spatially Varied Impacts of Ethanol on Feed Prices, Levels, and Livestock Production?” Glynn Tonsor, *Michigan State University*.

“Price Volatility, Nonlinearity, and Asymmetric Adjustments in Corn, Soybean, and Cattle Markets: Implications of Ethanol-Driven (Market) Shocks.” Hernan Tejada & Barry Goodwin, *North Carolina State University*.

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

“Impacts of Mandatory Price Reporting on Boxed Beef and Fed Cattle Price Relationships.” Stephen Koontz, *Colorado State University*.

“Performance of Feeder Cattle Marketing Strategies: A Comparative of Forward Contracts, Cash Spot Sales, and Put Options.” Shane Ellis, *Iowa State University*.

“A Comparison of the Effectiveness of Using Futures, Options, LRP Insurance, or AGR-Lite Insurance to Manage Risk for Cow-calf Producers.” Dillon Feuz, *Utah State University*.

**Luncheon Speaker:** Dr. Jeffrey Harris, Chief Economist, Commodity Futures Trading Commission

Topic: “Speculation in Commodity Futures Markets”

**Session 5** (Special Session on Speculation in Commodity Futures Markets) – Moderator: Dwight Sanders, Southern Illinois University

“Index Trader Effects on Inter-temporal Price Spreads in Commodity Futures.” Colin Carter, Aaron Smith, & Teddy Wong, *University of California, Davis*.

“Direct Evidence on the Relationship between Daily Positions of Speculators and Price Changes in Commodity Futures Markets.” Nicole Aulerich & Scott Irwin, *University of Illinois*.

## **Meeting Agenda:**

The NCCC-134 Regional Research Committee sponsored its 28<sup>th</sup> annual conference on Applied Commodity Price Analysis, Forecasting, and Market Risk Management on April 20-21 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 ten members of the NCCC-134 Executive Committee from 57 two-page prospectuses submitted prior to the conference. The resulting collection of papers ranged over futures and options market analysis, speculation, 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 papers, 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, Dr. Jeffrey Harris – Chief Economist with the Commodity Futures Trading Commission – was the featured luncheon speaker. The title of his talk was “Speculation in Commodity Futures Markets”. In his presentation, Dr. Harris discussed the recent run up in commodity futures prices realized in 2008, along with public concerns that speculators contributed to the high prices, and subsequent price drawdown. Having the meeting in St. Louis helped draw a considerable number of agribusiness industry participants from the greater St. Louis area including representatives from ADM and Doanes.

New to the format this year was the elimination of one of the Tuesday afternoon sessions, with focus placed on a paper session that directly followed the luncheon speaker. This paper session was themed along the lines of the topic presented by the luncheon speaker (Speculation in Commodity Futures Markets), and presented in the luncheon room such that all lunch attendees could participate in this special session. Academic presenters were encouraged to focus their papers on the practical results, rather than methodology, given the large number of industry representatives that attended the luncheon.

Two of the 26 papers, or 8%, 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. As well, this meeting remains an important venue for graduate students to present their work. This year, 16 graduate students attended the conference, many of them presenting papers co-authored with faculty members.

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-Coordinator, Dwight Sanders, led the meeting. Dwight indicated an attendance at this year's conference of 71 participants. This was slightly lower than the attendance in 2008 of 78. Special notice was made of the large number of industry colleagues and graduate students in attendance and participating. It was acknowledged that participation remained strong despite travel budget constraints at many universities. Special notice was also made in reference to the outstanding industry luncheon speaker and the new format of the afternoon paper sessions. It was agreed to by the committee that future meetings continue with a themed paper session immediately following the luncheon speaker. 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.

Dwight Sanders also announced the procedure for submitting final 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 19–20, 2010 in St. Louis, Missouri. Format will be similar to this year's meeting with presented papers selected by a screening committee from a set of proposals due in October 2009. The specific location of the 2010 meeting will be the Crowne Plaza St. Louis – Downtown Hotel. 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 21, 2009.

Respectfully submitted,

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