

MINUTES 2010 MEETING

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

Date/Location: April 19-20, 2010, St. Louis, Missouri, The Crowne Plaza St. Louis – Downtown Hotel. Conference began at 1:00 p.m., April 19, 2010.

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Program:

Monday, April 19th, 2010

Session 1 - Moderator: Matthew Diersen, South Dakota State University

“Examining the Risk-Return Relationship between Agribusiness Stocks and the Market.” Jeffrey Dorfman & Myung Park, *University of Georgia*.

“Multivariate Bayesian Regression Approach to Forecast Agricultural Commodity Prices.” Andres Ticlavilca, Dillon Feuz & Mac McKee, *Utah State University*.

“The Forward Contract’s Income Shifting Option and Implications on the Forward Basis.” Scott Irwin & Mindy Mallory, *University of Illinois*.

Session 1 – Continued - Moderator: Thorsten Egelkraut, Oregon State University

“Return to Traders in Agricultural Futures Markets: Risk Premium, Information or Luck?” Nicole Aulerich, Scott Irwin & Philip Garcia, *University of Illinois*.

“Are New Crop Futures and Options Prices for Corn and Soybeans Biased? An Updated Appraisal.” Katie King & Carl Zulauf, *The Ohio State University*.

“Producers’ Decision Making Process in Grain Marketing: A Study in the Canadian Market.” Fabio Mattos & Stefanie Fryza, *University of Manitoba*.

Session 2 - Moderator: *Berna Karali, University of Georgia*

“Uncovering Dominant-Satellite Relationships in the U.S. Soybean Basis: A Spatio-Temporal Analysis.” Daniel Lewis, Mark Manfredo, *Arizona State University*, Todd Kuethe, *USDA-ERS* & Dwight Sanders, *Southern Illinois University*

“Pre-Spreading and Returns to Storage.” Andrew McKenzie & Amanda Simpson, *University of Arkansas*.

“On the Relationship of Expected Supply and Demand to Futures Prices.” Hans Walter Chua & William Tomek, *Cornell University*.

Session 2 – Continued - Moderator: *Dragan Miljkovic, North Dakota State University*

"Measuring and Explaining Skewness in Pricing Distributions Implied from Livestock Options." Michael Thomsen & Andrew McKenzie, *University of Arkansas*

“Theory of Storage and Option Pricing: Analyzing Determinants of Implied Skewness and Implied Kurtosis.” Marin Bozic & Randall Fortenbery, *University of Wisconsin*.

“A Gaussian Two-Factor Maximal Model for Commodity Futures and Options.” Na Jin, Sergio Lence, Chad Hart & Dermot Hayes, *Iowa State University*.

Tuesday, April 20th, 2010

Session 3 - Moderator: *Gregory Price, Commodity Futures Trading Commission*

“Reexamination of the Impact of the Removal of CBOT Corn and Soybean Futures Contract Delivery from Toledo, OH.” Daniel Sanders, Matthew Roberts & Carl Zulauf, *The Ohio State University*.

“Price Discovery and Convergence of Futures and Cash Prices.” Gerald Plato & Linwood Hoffman, *USDA-ERS*.

"The Basis Effects of Failures to Converge." Berna Karali, *University of Georgia*, Kevin McNew, *Cash Grain Bids, Inc.* & Walter Thurman, *North Carolina State University*.

Session 3 – Continued - Moderator: *Cameron Thraen, The Ohio State University*

“How Strong Are the Linkages among Agricultural, Oil, and Exchange Rate Markets?” Julieta Frank, *University of Manitoba* & Philip Garcia, *University of Illinois*.

“Comparing Different Models to Cross Hedge Dried Distilled Grain in Iowa: Is It Necessary to Include Energy Derivatives?” Juan Murguia & John Lawrence, *Iowa State University*.

“The Impact of Biofuel Mandates and Switchgrass Production on Hay Markets.” Kwame Acheampong, Mike Dicks & Brian Adam, *Oklahoma State University*.

Session 4 - Moderator: *Todd Kuethe, USDA-Economic Research Service*

“Demand for Wholesale Pork Primals: An Updated Evaluation of Structural Shifts.” Glynn Tonsor, *Michigan State University*, Joe Parcell, *University of Missouri* & Ted Schroeder, *Kansas State University*.

“Impact of Mandatory Price Reporting on Hog Market Integration.” Jason Franken, Joe Parcell, *University of Missouri*, Glynn Tonsor, *Michigan State University* & Ted Schroeder, *Kansas State University*.

“Impacts of Captive Supplies on Beef Firm Profits and Market Efficiency: Evidence from Economic Experiments.” Stephen Koontz, *Colorado State University*.

Session 4 – Continued - Moderator: *Olga Isengildina-Massa, Clemson University*

"The Long Run and Short Run Impact of Captive Supplies on the Spot Market Price: An Agent-Based Artificial Market." Tong Zhang & Wade Brorsen, *Oklahoma State University*.

"A Comparison of Hedging Strategies and Effectiveness for Storable and Non-Storable Commodities." Janelle Mann & Peter Sephton, *Queen's University, Ontario*.

"Do USDA Announcements Affect the Correlations Across Commodity Futures Returns?" ChangKeun Park & Berna Karali, *University of Georgia*.

Luncheon Speaker - *Mr. Jim Lockhart, Head of Market Analysis, Global Oil Americas Integrated Supply & Trading, BP*.

Presentation Title: “Beyond the Splash: Ethanol and its Implications”

Session 5 - Special Session on Biofuels and Their Impact on Commodity Markets -

Moderator: *Paul Peterson, CME Group* (special session followed luncheon speaker)

“RIN Risks: Using Supply and Demand Behavior to Assess Risk in the Markets for Renewable Identification Numbers Used for Renewable Fuel Standard Compliance.” Wyatt Thompson, Seth Meyer & D.J. Donahue, *University of Missouri*.

“Ethanol Futures: Thin but Effective? — Why?” Roger Dahlgran, *University Arizona*.

Meeting Agenda:

The NCCC-134 Regional Research Committee sponsored its 29th annual conference on Applied Commodity Price Analysis, Forecasting, and Market Risk Management on April 19-20 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 38 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, Mr. Jim Lockhardt – Head of Market Analysis, Global Oil Americas Integrated Supply & Trading, BP . – was the featured luncheon speaker. The title of his talk was “Beyond the Splash: Ethanol and its Implications”. In his presentation, Mr. Lockhardt discussed the current outlook for the U.S. ethanol market, as well as the integration and impact of ethanol on overall energy prices. Having the meeting again in St. Louis helped draw a considerable number of agribusiness industry participants from the greater St. Louis area including representatives from Monsanto, Novus International, the Renewable Fuels Association, National Corn-to-Ethanol Research Center, and Doane’s Advisor Service.

As with 2009, the format continued to feature a paper session that was themed along the lines of the topic presented by the luncheon speaker (Ethanol and Implications), 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. The titles of the two papers were “RIN Risks: Using Supply and Demand Behavior to Assess Risk in the Markets for Renewable Identification Numbers Used for Renewable Fuel Standard Compliance” by Wyatt Thompson, Seth Meyer, and D.J. Donahue of the University of Missouri

(Seth Meyer – Presenter) and “Ethanol Futures: Thin but Effective” by Roger Dahlgran of the University of Arizona.

Five of the 26 papers, or 19%, are collaborative works by researchers housed at different institutions. In fact, more than one paper was co-authored by collaborators at the USDA-ERS and academic institutions, along with papers co-authored by collaborators at academic institutions and industry. As well, 3 papers were authored or co-authored by researchers at Canadian universities. This regional project is one of the main catalysts for these collaborative 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, 19 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 and Mark Manfredo, led the meeting. They indicated an attendance at this year’s conference of 75 participants. This was slightly larger than the attendance in 2009 of 71. 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. 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 NCCC-134 continues to be an important catalyst for research in the area of commodity price analysis and risk management. It was also announced that 2011 represents the 30th anniversary of the NCCC-134 Conference, and that the conference co-coordinators would acknowledge this milestone in terms of planning the 2011 conference to recognize this special event.

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 (2011) is scheduled for April 18–19, 2011 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 2010. The specific location of the 2011 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 20, 2010.

Respectfully submitted,

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Co-coordinators, NCCC-134 Committee

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