

# 2012 Meeting Minutes

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

**Date/Location:** April 16-17, 2012, St. Louis, Missouri, The Crowne Plaza St. Louis –Downtown Hotel. Conference began at 1:00 p.m., April 16, 2012, and ended at approximately 2:30 p.m., April 17, 2012.

## Participants:

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20 graduate students

## Program (See Attached)

**Monday, April 16, 2012**

**12:00 p.m. Registration**

### *Session 1*

*Moderator: Joe Parcell University of Missouri*

*“Marketing Choices by Texas Cotton Growers.” Jason Pace and John Robinson, Texas A&M University.*

*“Commodity Price Comovement: The Case of Cotton.” Joseph Janzen, Aaron Smith, and Colin Carter, University of California.*

*“An Evaluation of the USDA Sugar Production and Consumption Forecasts.” Karen Lewis and Mark Manfredo, Arizona State University.*

*Moderator: Frayne Olson, North Dakota State University*

“The Price Responsiveness of U.S. Wheat Export Demand by Class.” Daniel O'Brien, *Kansas State University*.

“Forecasting Corn and Soybeans Basis Using Regime-Switching Models.” Daniel Sanders and Timothy Baker, *Purdue University*.

“Measuring Price Explosiveness in Corn, Soybeans, and Wheat Futures Markets.” Xiaoli Etienne, Scott Irwin, and Philip Garcia, *University of Illinois*.

Monday, April 16, 2012

### *Session 2*

*Moderator: Wade Brorsen, Oklahoma State University*

“Identifying Price Linkages in Agricultural Markets: A Spatio-Temporal Clustering Analysis.” Anton Bekkerman, *Montana State University*.

“Promotion Pass-Through and Consumer Search: An Empirical Analysis.” Timothy Richards, Miguel Gomez, and Jun Lee, *Arizona State University and Cornell University*.

“A Jump Diffusion Model for Agricultural Commodities with Bayesian Analysis.” Adam Schmitz, Zhiguang Wang, and Jung-Han Kimn, *South Dakota State University*.

*Moderator: Carl German, Delaware Cooperative Extension*

“Road Block to Risk Management - How Federal Milk Marketing Orders Create Excessive Basis Risk on Class 1 Milk.” John Newton and Cameron Thraen, *Ohio State University*.

“Exploring Underlying Distributional Assumptions of Livestock Gross Margin Insurance for Dairy.” John Newton, Cameron Thraen, and Marin Bozic, *Ohio State University and University of Minnesota*.

“Price Discovery, Volatility Spillovers and Adequacy of Speculation in Cheese Spot and Futures Markets.” Marin Bozic and T. Randall Fortenbery, *University of Minnesota and Washington State University*.

## **Tuesday, April 17, 2012**

### **Session 3**

*Moderator: Julieta Frank, University of Manitoba*

“The Food Corporation of India and the Public Distribution System: Impacts on Market Integration in Wheat, Chana, and Soybeans.” Mindy Mallory, *University of Illinois*.

“Foreign Exchange Pass-Through and the use of Grain Export Denominated Trade Weighted Indices” Allister Keller and Ron McIver, *Viterra Ltd and University of South Australia*.

“The Increasing Participation of China in the World Soybean Market and Its Impact on Price Linkages in Futures Markets.” Maria Christofolletti, Rodolfo Silva, and Fabio Mattos, *University of Sao Paulo and University of Manitoba*.

*Moderator: Corrine Alexander, Purdue University*

“The Behavior of Bid-Ask Spreads in the Electronic Corn Futures Market.” Xiaoyang Wang, Philip Garcia, and Scott Irwin, *University of Illinois*.

“Analyzing Crop Revenue Safety Net Program Alternatives and Implications on Marketing Decisions.” Jim Jansen, Bradley Lubben, and Matthew Stockton, *University of Nebraska*.

“How does "cost risk" influence producers' decision to hedge?” Elisson Andrade and Fabio Mattos, *University of Sao Paulo and University of Manitoba*.

*Session 4*

*Moderator: Dillon Feuz, Utah State University*

“Is it Price Variability or Risk? Evaluating Risk and Risk Management Strategies in Agriculture Using Different Risk Measures.” Fabio Mattos and Derek Brewin, *University of Manitoba*.

“Price Transmission in the North American Oil and Gasoline Industry - An Application of Threshold Cointegration across Markup Margins.” Janelle Mann, *Queen's University*.

“Density Forecasts of Lean Hog Prices.” Andres Trujillo-Barrera, Philip Garcia, and Mindy Mallory, *University of Illinois*.

*Moderator: Yoko Kusunose University of Kentucky*

“Market Integration and Cross Hedging Opportunities for Alfalfa Hay.” Matthew Herrington, Dustin Pendell, Kevin Dhuyvetter, and Glynn Tonsor, *Kansas State University and Colorado State University*.

“Usage Determinants of Fed Cattle Pricing Mechanisms.” Matthew Diersen and Scott Fausti, *South Dakota State University*.

“Profit Margin Hedging for Stocker Cattle Production: Returns and Hedging Opportunities.” Stephen Koontz, *Colorado State University*.

Luncheon Speaker

*“How Agricultural Economics Saved the Futures Markets”*

*Scott Irwin, University of Illinois*

Moderator: *Andrew McKenzie,  
University of Arkansas*

“Have Commodity Index Funds Increased Price Linkages between Commodities?” Jeffrey Dorfman and Berna Karali, *University of Georgia*.

“Reexamining the Interaction Between Private and Public Stocks.” Carl Zulauf, *Ohio State University*.

#### Meeting Agenda:

The NCCC-134 Regional Research Committee sponsored the 31<sup>th</sup> annual conference on Applied Commodity Price Analysis, Forecasting, and Market Risk Management on April 16-17 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 26 papers were selected by ten members of the NCCC-134 Executive Committee from 29 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. Scott Irwin, Laurence J. Norton Chair of Agricultural Marketing at the University of Illinois, was the featured luncheon speaker. The title of his talk was “How Agricultural Economics Saved the Futures Markets.” In his presentation, Dr. Irwin highlighted the role that prominent agricultural economists played in previous times of crisis for agricultural futures, such as the corner in the onion futures market in 1955 and the resulting assault on all futures trading on commodities.

As with 2011, the format continued to feature a paper session that was themed along the lines of the topic presented by the luncheon speaker (i.e., futures market performance), 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. Seven of the 26 papers represent collaborative works by researchers housed at different institutions. There were seven attendees from foreign institutions, including one foreign private firm, five industry attendees, and one attendee from the USDA. As well, this meeting remains an important venue for graduate students to present their work. This year, 20 graduate students attended the conference, many of them presenting papers co-authored with faculty members.

Following the research paper presentations program on Tuesday, a short business meeting of the NCCC-134 executive committee and other interested participants was held. NCCC-134 Committee Co- Coordinators, Matt Diersen and Matt Roberts, led the meeting. Pursuant to the discussion from the 2011 meeting, details were provided about a special issue of Agribusiness devoted to NCCC-134 papers. Overall, 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.

Matt Diersen announced details for electronic submission of completed papers to the NCC-134 website, hosted by farmdoc. The site will continue to hold committee announcements as well as all papers from all past meetings.

Subject to venue availability, the 2013 meeting will be held at the same location on April Next year's meeting is scheduled for April 22-23 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 2012. The specific location of the 2012 meeting will again be the Crowne Plaza St. Louis – Downtown Hotel.

Meeting Adjourned: 4:30 p.m. April 17, 2011.

Respectfully submitted,

Matthew C. Roberts, The Ohio State University  
Matthew Diersen, South Dakota State University  
Co-coordinators, NCCC-134 Committee  
Arne Hallam, Iowa State University  
Administrative Advisor

## REGISTRATION FORM

**NCCC-134: Conference on Applied Commodity Price Analysis, Forecasting, and Market Risk Management: April 16-17, 2012**  
**Pre-Registration Deadline: March 30, 2012**

**Online Registration and Credit Card Payment is Available at**  
<http://www.regonline.com/nccc134>

*Full Registration Fee:* (full program, breaks, & lunch Tues.)  
Faculty & Professional (\$160) \_\_\_\_\_  
Student (\$55) \_\_\_\_\_

Name \_\_\_\_\_  
Title \_\_\_\_\_  
Organization \_\_\_\_\_  
Address \_\_\_\_\_  
City/State/Zip \_\_\_\_\_  
Phone (\_\_\_\_) \_\_\_\_\_  
E-mail: \_\_\_\_\_

Make checks payable to **Ohio State University**.  
Walk-ins are welcome, but pre-registration is highly preferred. Please send an e-mail to Matt Roberts (roberts.628@osu.edu) if you intend to register on-site.

**Return form and payment to:**  
Matthew C. Roberts  
AEDE, The Ohio State University  
AA103  
2120 Fyffe Road  
Columbus, OH 43210

**Proceedings will be published electronically at:**  
<http://www.farmdoc.uiuc.edu/nccc134/>

## Monday, April 16, 2012

### 12:00 p.m. Registration

**Session 1 - Afternoon**  
Moderator: *Joe Parcell,*  
*University of Missouri*

**1:00**  
“Marketing Choices by Texas Cotton Growers.”  
Jason Pace and John Robinson, *Texas A&M University*.

**1:35**  
“Commodity Price Comovement: The Case of Cotton.” Joseph Janzen, Aaron Smith, and Colin Carter, *University of California*.

**2:10**  
“An Evaluation of the USDA Sugar Production and Consumption Forecasts.” Karen Lewis and Mark Manfredo, *Arizona State University*.

### 2:45 - Refreshment Break

**Session 1 – Continued**  
Moderator: *Frayne Olson,*  
*North Dakota State University*

**3:05**  
“The Price Responsiveness of U.S. Wheat Export Demand by Class.” Daniel O'Brien, *Kansas State University*.

**3:40**  
“Forecasting Corn and Soybeans Basis Using Regime-Switching Models.” Daniel Sanders and Timothy Baker, *Purdue University*.

**4:15**  
“Measuring Price Explosiveness in Corn, Soybeans, and Wheat Futures Markets.” Xiaoli Etienne, Scott Irwin, and Philip Garcia, *University of Illinois*.

### 5:00 – Reception

## Monday, April 16, 2012

### 12:00 p.m. Registration

**Session 2 - Afternoon**  
Moderator: *Wade Brorsen,*  
*Oklahoma State University*

**1:00**  
“Identifying Price Linkages in Agricultural Markets: A Spatio-Temporal Clustering Analysis.” Anton Bekkerman, *Montana State University*.

**1:35**  
“Promotion Pass-Through and Consumer Search: An Empirical Analysis.” Timothy Richards, Miguel Gomez, and Jun Lee, *Arizona State University and Cornell University*.

**2:10**  
“A Jump Diffusion Model for Agricultural Commodities with Bayesian Analysis.” Adam Schmitz, Zhiguang Wang, and Jung-Han Kimn, *South Dakota State University*.

### 2:45 - Refreshment Break

**Session 2 – Continued**  
Moderator: *Carl German*  
*Delaware Cooperative Extension*

**3:05**  
“Road Block to Risk Management - How Federal Milk Marketing Orders Create Excessive Basis Risk on Class 1 Milk.” John Newton and Cameron Thraen, *Ohio State University*.

**3:40**  
“Exploring Underlying Distributional Assumptions of Livestock Gross Margin Insurance for Dairy.” John Newton, Cameron Thraen, and Marin Bozic, *Ohio State University and University of Minnesota*.

**4:15**  
“Price Discovery, Volatility Spillovers and Adequacy of Speculation in Cheese Spot and Futures Markets.” Marin Bozic and T. Randall Fortenbery, *University of Minnesota and Washington State University*.

### 5:00 – Reception

## Tuesday, April 17, 2012

### 7:30 a.m. – Continental Breakfast

**Session 3 - Morning**  
Moderator: *Julieta Frank, University of Manitoba*  
**8:05**  
“The Food Corporation of India and the Public Distribution System: Impacts on Market Integration in Wheat, Chana, and Soybeans.” Mindy Mallory, *University of Illinois*.

**8:40**  
“Foreign Exchange Pass-Through and the use of Grain Export Denominated Trade Weighted Indices” Allister Keller and Ron McIver, *Viterra Ltd and University of South Australia*.

**9:15**  
“The Increasing Participation of China in the World Soybean Market and Its Impact on Price Linkages in Futures Markets.” Maria Christofoletti, Rodolfo Silva, and Fabio Mattos, *University of Sao Paulo and University of Manitoba*.

### 9:50 - Refreshment Break

**Session 3 – Continued**  
Moderator: *Corrine Alexander,*  
*Purdue University*

**10:10**  
“The Behavior of Bid-Ask Spreads in the Electronic Corn Futures Market.” Xiaoyang Wang, Philip Garcia, and Scott Irwin, *University of Illinois*.

**10:45**  
“Analyzing Crop Revenue Safety Net Program Alternatives and Implications on Marketing Decisions.” Jim Jansen, Bradley Lubben, and Matthew Stockton, *University of Nebraska*.

**11:20**  
“How does "cost risk" influence producers' decision to hedge?” Elisson Andrade and Fabio Mattos, *University of Sao Paulo and University of Manitoba*.

### 11:55 – Lunch

**Tuesday, April 17, 2012**

**7:30 a.m. – Continental Breakfast**

**Session 4 - Morning**

Moderator: *Dillon Feuz,*  
*Utah State University*

**8:05**

“Is it Price Variability or Risk? Evaluating Risk and Risk Management Strategies in Agriculture Using Different Risk Measures.” Fabio Mattos and Derek Brewin, *University of Manitoba.*

**8:40**

“Price Transmission in the North American Oil and Gasoline Industry - An Application of Threshold Cointegration across Markup Margins.” Janelle Mann, *Queen's University.*

**9:15**

“Density Forecasts of Lean Hog Prices.” Andres Trujillo-Barrera, Philip Garcia, and Mindy Mallory, *University of Illinois.*

**9:50 - Refreshment Break**

**Session 4 – Continued**

Moderator: *Yoko Kusunose,*  
*University of Kentucky*

**10:10**

“Market Integration and Cross Hedging Opportunities for Alfalfa Hay.” Matthew Herrington, Dustin Pendell, Kevin Dhuyvetter, and Glynn Tonsor, *Kansas State University and Colorado State University.*

**10:45**

“Usage Determinants of Fed Cattle Pricing Mechanisms.” Matthew Diersen and Scott Fausti, *South Dakota State University.*

**11:20**

“Profit Margin Hedging for Stocker Cattle Production: Returns and Hedging Opportunities.” Stephen Koontz, *Colorado State University.*

**11:55 - Lunch**

**Tuesday, April 17, 2012**

**12: 40 – Luncheon Speaker**

*Scott Irwin*  
*University of Illinois*

“How Agricultural Economics Saved the Futures Markets”

**Session 5 - Special Session on Market Assumptions**

Session 5 will be held in the luncheon room following the guest speaker.

Moderator: *Andrew McKenzie,*  
*University of Arkansas*

**1:45**

“Have Commodity Index Funds Increased Price Linkages between Commodities?” Jeffrey Dorfman and Berna Karali, *University of Georgia.*

**2:20**

“Reexamining the Interaction Between Private and Public Stocks.” Carl Zulauf, *Ohio State University.*

**3:00 - Business Meeting**

**Additional Information**

This conference will focus on commodity price analysis, forecasting, and risk management applications in several commodity markets. Presentations will last 20 minutes and be followed by a 15 minute group discussion.

**Conference Location**

The conference will be held in the Crowne Plaza St. Louis – Downtown Hotel, in downtown St. Louis, Missouri. The hotel is located at 4<sup>th</sup> and Pine Street.

**Lodging**

A block of rooms has been reserved for conference participants at the Crowne Plaza St. Louis – Downtown Hotel, at 4<sup>th</sup> and Pine Street. Rates are \$109/night for single/double occupancy, \$119/night for triple, and \$129/night for quad (plus applicable taxes). Individuals must make their own reservations and credit card guarantees with the Crowne Plaza at 1-800-925-1395 (Monday through Friday; 8:00 a.m. to 5:30 p.m. Central Time). Ask for the “NCCC-134 Conference” block of rooms. *Rooms and rates guaranteed only until March 30, 2012.*

**Transportation**

MetroLink, the St. Louis region’s light rail system has two stations at the airport - Main Terminal and the East Terminal. The MetroLink to downtown St. Louis is \$2.25 for a one-ride ticket. From the airport take MetroLink downtown and get off at the 8<sup>th</sup> and Pine Street station. The Crowne Plaza is located 4 blocks east (toward the river) at the corner of 4<sup>th</sup> and Pine Street.

**Reception**

A reception (hors d’oeuvres) will be held immediately following the Monday sessions (5:00 p.m.). Brief remarks and acknowledgements will be made by Matthew Roberts, *The Ohio State University.*

For more information see the NCCC-134 web site at: <http://www.farmdoc.uiuc.edu/nccc134/>

**April 16-17, 2012**

**Crowne Plaza St. Louis - Downtown  
4<sup>th</sup> & Pine Street  
St. Louis, Missouri**



Now in the 31<sup>st</sup> year of Applied Commodity Price Analysis, Forecasting, and Market Risk Management Research