

Minutes: 2004 Meeting

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

Date/Location: April 19-20, 2004, St. Louis, Missouri, Adam's Mark Hotel, 4th and Chestnut Streets.

Conference called to order at 1:00 p.m., April 19, 2004.

Participants:

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Research Papers Presented:

Session 1A – Ted C. Schroder, Kansas State University, Moderator

“Accuracy of Grid Pricing: An Evaluation Using Wholesale and Retail Value of Fed Cattle.” Joe Kovanda & Ted C. Schroeder, Kansas State University

“Captive Supply Trends and Impacts Since the Advent of Mandatory Price Reporting.” Clement E. Ward & Jonathan T. Hornung, Oklahoma State University

“Evaluating Forecasts of Discrete Variables: Predicting Cattle Quality Grades.” Bailey Norwood, Oklahoma State University; Jayson Lusk, Purdue University; & B. Wade Brorsen, Oklahoma State University

“Straddling Hogs and Pigs Reports: An Event Study to Test Efficiency of Hog Options Markets.” Andrew M. McKenzie, Michael R. Thomsen & Josh B. Phelan, University of Arkansas

“Cow-Calf Producer Perceptions of the Livestock Risk Protection Programs.” Brian K. Coffey & Ted Schroeder, Kansas State University

“Measuring the Economic Value and Market Effects of Improving Beef Tenderness.” Megan L. Bruch & Stephen R. Koontz, Colorado State University

Session 1B – B. Wade Brorsen, Oklahoma State University, Moderator

“Causality in Mean and Variance for Coffee Futures-Cash Markets.” Hector O. Zapata, Louisiana State University, & T. Randall Fortenbery, University of Wisconsin-Madison

“Generalized Hedge Ratio Estimation With an Unknown Model.” Jeffrey H. Dorfman, The University of Georgia, & Dwight R. Sanders, Southern Illinois University

“Weather Derivatives in the Presence of Index and Geographical Basis Risk: Hedging Dairy Profit Risk.” Gang Chen & Matthew C. Roberts, Ohio State University

“Commodity Prices and Unit Root Tests.” Dabin Wang & Bill Tomek, Cornell University

“Price Discovery in Thinly Traded Markets: Cash and Futures Relationships in Brazilian and U.S. Agricultural Futures Markets.” Fabio Mattos & Philip Garcia, University of Illinois at Urbana-Champaign

“Forecasts of Futures Prices in the Presence of Limit Moves.” Thorsten M. Egelkraut & Philip Garcia, University of Illinois at Urbana-Champaign

Session 2A – Scott Irwin, University of Illinois, Moderator

“Cash Marketing Styles and Performance Persistence of Wheat Producers.” Lewis T. Cunningham III, B. Wade Brorsen, & Kim B. Anderson, Oklahoma State University

“Can Systematic Pre-Harvest Marketing Strategies Exceed Market Advisory Services and Market Benchmark Returns for Corn and Soybeans.” Robert N. Wisner, Iowa State University; E. Neal Blue, Econometrix; & E. Dean Baldwin, The Ohio State University

“The Marketing Performance of Illinois Corn and Soybean Farmers.” Lewis A. Hagedorn, Scott H. Irwin, & Darrel L. Good, University of Illinois at Urbana-Champaign

“A Forecast Evaluation of the U.S. Season-Average Corn Price Using a Futures Price Forecasting Model.” Linwood A. Hoffman, U.S. Department of Agriculture

“Are Revisions to USDA Crop Production Forecasts Smoothed?” Olga Isengildina, Scott H. Irwin, & Darrel L. Good, University of Illinois at Urbana-Champaign

“Incorporating Current Information into Historical-Average-Based Forecasts to Improve Crop Price Basis Forecasts.” Chad Sager, Kevin C. Dhuyvetter, & Terry L. Kastens, Kansas State University

Session 2B – Matthew C. Roberts, The Ohio State University, Moderator

“Hedging-Effectiveness of Milk Futures and Options Using Value-At-Risk.” Ibrahim Bamba & Leigh Maynard, University of Kentucky

“The Economic Value of Forecasts and the U.S. Milk Income Loss Contract Program.” Cameron S. Thraen, The Ohio State University

“Optimal Hedging With Views: A Bayesian Approach.” Wei Shi & Scott H. Irwin, University of Illinois at Urbana-Champaign

“The Performance of Weather Derivatives in Managing Risks of Specialty Crops.” Trevor A. Fleege, Timothy J. Richards & Mark R. Manfredro, Arizona State University; & Dwight R. Sanders, Southern Illinois University

“Strategic vs. Tactical Risk Management Decisions: What Can Utility Functions Tell Us?” Joost M.E. Pennings, University of Illinois at Urbana-Champaign

“Transaction Frequency, Inventories and Hedging in Commodity Processing.” Roger A. Dahlgran, University of Arizona

Session 3A – Michael S. Haigh, University of Maryland, Moderator

“Re-Considering the Necessary Condition for Futures Market Efficiency: An Application to Dairy Futures.” Dwight R. Sanders, Southern Illinois University & Mark R. Manfredro, Arizona State University

“The Profitability of Technical Trading Rules in U.S. Futures Markets: A Data Snooping Adjusted Test.” Cheol-Ho Park & Scott H. Irwin, University of Illinois at Urbana-Champaign

Session 3B – Stephen R. Koontz, Colorado State University, Moderator

“Contract Market Viability.” Gordon C. Rausser & Henry L. Bryant, University of California, Berkeley

“Perceptions of Futures Market Liquidity: An Empirical Study of CBOT & CME Traders.” Julia

W. Marsh, Joost M.E. Pennings & Philip Garcia, University of Illinois at Urbana-Champaign

Meeting Agenda:

The NCR-134 Regional Research Committee sponsored its 21st annual conference on Applied Commodity Price Analysis, Forecasting, and Market Risk Management on April 19-20 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 NCR-134 Executive Committee from 47 two-page prospectuses submitted six 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.

Professional participants were invited to speak during the business lunch. The goal of the lunch speaking session is to discuss industry issues. Presenting during the lunch allows the discussion with the entire body of conference participants. Paul Peterson, Jack Cook, and Charles Piszczor of the Chicago Mercantile Exchange spoke on livestock futures contract basis issues, changes in contracts and other contract specification issues. Participants were in particular interested in the impact of demutualization – the exchange incorporated and changed from a non-profit to a for-profit entity – on the operation of the exchange and the relationships between financial futures products and agricultural products.

Following the research paper presentations program a short business meeting of the NCR-134 executive committee and other interested participants was held. NCR-134 Committee Coordinator, Stephen Koontz, indicated an attendance at this year's conference of 51 participants. Special notice was made of the large number of graduate students and industry colleagues in attendance and participating. Attendance is improved over the previous year.

Koontz reported that the NCR-134 section of the AgEcon Search web site located at the University of Minnesota would be the location of all presented papers for 2004. The NCR-134 web site managed by Joe Parcell at University of Missouri would be the location of announcements and details of the committee operation. In addition, programs for upcoming meetings would also be placed on the web site as are links to the AgEcon Search web site. Joe Parcell will continue as the coordinator for the 2005 meeting.

Next year's meeting was tentatively scheduled for April 18-19, 2005 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 2004. Stephen Koontz will continue to serve as committee coordinator.

Meeting Adjourned: 5:00 p.m. April 20, 2004.

Respectfully submitted,

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

Wendy Wintersteen, Iowa State University, Administrative Advisor