

Minutes: 2003 Meeting

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

Date/Location: April 21-22, 2003, St. Louis, Missouri, Radisson Hotel, 200 N. Fourth Street.

Conference called to order at 1:00 p.m., April 21, 2003.

Participants:

Faculty & Professional Participants

Anderson, John – Mississippi State University – (662) 325-2675
Boyd, Shawn – National Cotton Council – (901) 274-9030 – sboyd@cotton.org
Brorsen, Wade – Oklahoma State University – (405) 744-6836 – brorsen@okstate.edu
Cabrini, Silvina – University of Illinois – (217) 344-5049 – cabrini@uiuc.edu
Coble, Keith – Mississippi State University – (662) 325-6670 – coble@agecon.msstate.edu
Cordier, Jean – University of Illinois – (217) 333-4565 – cordier@agrorennes.educagri.fr
Dahlgran, Roger – University of Arizona – (520) 621-6254 – dahlgran@u.arizona.edu
Fortenbery, Randall – fortenbery@aae.wisc.edu
Garcia, Phil – University of Illinois – (217) 333-0644 – p_garcia@uiuc.edu
Gonzales-Vivero, Joakin – University of Illinois – (217) 384-1974 – joakingu@hotmail.com
Irwin, Scott – University of Illinois – (217) 586-6777 – sirwin@uiuc.edu
Isengildina, Olga – olga123@uiuc.edu
Lence, Sergio H. – Iowa State University shlence@iastate.edu
Mahul, Olivier – INRA – (33)2.23.218.53.85 – mahul@roajhon.ima.fr
Manfred, Mark – Arizona State University – (408) 727-1040 – manfredo@asu.edu
May, Gary J. – Iowa State University – (515) 294-8030 – gmay@iastate.edu
Parcell, Joe – University of Missouri – (573) 882-0870 – Parcellj@missouri.edu
Pennings, Joost M.E. – University of Illinois-Urbana – (217) 244-1284 – jmpennin@uiuc.edu
Richards, Tim – trichards@asu.edu
Roberts, Matt – Ohio State University – (614) 688-8686 – roberts.628@osu.edu
Sander, Dwight – Southern Illinois University – (618) 453-1711 – DwightS@siu.edu
Schmeltz, Glenn – ContiGroup Companies Inc – (312) 431-6412 – glenn.schmeltz@conti.com
Schroeder, Ted – Kansas State University – (785) 532-4488 – tcs@ksn.edu
Ward, Clein – Oklahoma State University – (405) 744-9821 – ceward@okstate.edu

Student Participants

Alevy, Jonathen – University of Maryland – (310) 405-0103 – jalevy@arec.umd.edu
Bryant, Henry – Texas A&M University – henry_bryant_tx@yahoo.com
Chen, Gang – Ohio State University – chen.796@osu.edu

Egelkraut, Thorsten – tmegelkraut@yahoo.com
Frank, Julieta – University of Illinois – (217) 333-1812 – jfrank@uiuc.edu
Franken, Jason – University of Missouri – (573) 886-0030 – jrfbfe@missouri.edu
Golden, Bill – Kansas State University – (785) 587-8112 – bgolden@agecon.ksu.edu
Hagedorn, Lewis – University of Illinois – (217) 333-2792 – lhagedor@uiuc.edu
Hornung, Jonathan – Oklahoma State University – (405) 744-9803 – horning@okstate.edu
Kovenda, Joe – Kansas State University – (785) 539-2465 – jkovanda@agecon.ksn.edu
Marsh, Julia – University of Illinois – (217) 377-6346 – jmarsh@uiuc.edu
Mattos, Fabio – University of Illinois – (210) 333-1812 – fmattos@uiuc.edu
Peterson, Hikaru H. – Kansas State University – (785) 532-1509 – hhp@ksu.edu
Sjauw-Koen-Ea, Jorn – University of Illinois – jorn_sjauwkoenfa@hotmail.com
Tonsor, Glynn – Kansas State University – (285) 565-0082 – gtonsor@agecon.ksu.edu
Webber, Rick – University of Illinois – (217) 848-2827 – rlwebber@uiuc.edu
Zhou, Haijiang – Ohio State University – (614) 292-1253 – zhou100@osu.edu

Research Papers Presented:

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

“Improving Livestock Mandatory Reports through Analysis of Transactions Data.” Kenneth E. Nelson and Warren P. Preston, USDA.

“Determinants of Branded Pork Price Premiums.” Joseph L. Parcell, University of Missouri, and Ted C. Schroeder, Kansas State University.

“Price Premiums from a Certified Feeder Calf Preconditioning Program.” Clement E. Ward, Oklahoma State University.

“Market Dynamics Associated with a Beefpacking Plant Closing and Porkpacking Plant Opening.” Clement E. Ward, Oklahoma State University.

“The Feasibility of a Boxed Beef Futures Contract.” Fabio Mattos, Philip Garcia, Raymond Leuthold and Tony Hahn, University of Illinois at Urbana-Champaign.

“Measuring Price Risk in Cattle and Beef Markets: Implications for the Design of Viable Futures Contracts.” James Fryer and Stephen R. Koontz, Colorado State University

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

“Hedging with Individual and Index-Based Contracts.” Olivier Mahul, INRA, France.

“Comparing the Performance of the Partial Equilibrium and Time Series Approaches to Hedging.” Henry L. Bryant, Texas A&M University, and Michael S. Haigh, University of

Maryland.

“Pricing Long-Term Options on Commodity Markets with Mean Reversion.” Sergio Lence and Dermot Hayes, Iowa State University.

“Pricing Weather Derivatives for Agricultural Risk Management.” Timothy J. Richards and Mark R. Manfredo, Arizona State University, and Dwight R. Sanders, Southern Illinois University.

“Managing Dairy Profit Risk Using Weather Derivatives.” Gang Chen, Matthew C. Roberts and Cameron Thraen, The Ohio State University.

“Using Private Risk Management Instruments to Manage Counter-Cyclical Payment Risks Under the New Farm Bill.” Keith Coble, John Anderson, and Corey Miller, Mississippi State University.

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

“USDA Interval Forecasts of Corn and Soybean Prices: Overconfidence or Rational Inaccuracy?” Olga Isengildina, Scott H. Irwin and Darrel L. Good, University of Illinois at Urbana-Champaign.

“Got MILC? Forecasting Budget Exposure of the Milk Income Loss Contract Program with Bayesian “Hard” and “Soft” Conditioning.” Cameron S. Thraen, The Ohio State University, Stanley R. Thompson and Wolfgang Gohout, University of Applied Sciences, Pforzheim, Germany.

“Accuracy of Implied Volatility in Projecting a Delivery Price Distribution.” Gary J. May and John D. Lawrence, Iowa State University.

“Keep Up the Good Work? An Evaluation of the USDA’s Livestock Price Forecasts.” Dwight R. Sanders, Southern Illinois University, and Mark R. Manfredo, Arizona State University.

“Calendar vs. Weeks to Expiration Livestock Basis Forecasts: Which Is Better?” Glynn T. Tonsor, James Mintert, Kevin C. Dhuyvetter, Kansas State University.

“The Performance of Agricultural Market Advisory Services for Hogs.” Rick L. Webber, Scott H. Irwin, Darrel L. Good and Joao Martines-Filho, University of Illinois at Urbana-Champaign.

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

“The Underlying Structure of Market Depth.” Joost M.E. Pennings, Philip Garcia and Julia W. Marsh, University of Illinois at Urbana-Champaign.

“Risk Management Techniques for Agricultural Cooperatives: An Empirical Evaluation.” Timothy J. Richards and Mark R. Manfredi, University of Arizona, and Scott McDermott, Co-Bank, Denver.

“The Term Structure of the Implied Forward Volatility in Soybean Futures Options.” Thorsten M. Egelkraut, Bruce Sherrick, Philip Garcia, University of Illinois at Urbana-Champaign.

“Developed Speculation and Under Developed Markets - The Role of Futures Contracts on Export Prices in Less Developed Countries.” T. Randall Fortenbery, University of Wisconsin-Madison, and Hector O. Zapata, Louisiana State University.

“Consequences of Erroneous Deflators.” Hikaru Hanawa Peterson, Kansas State University, and William G. Tomek, Cornell University.

“The Hedging Performance of Imminently-Maturing Contracts.” Roger A. Dahlgran, University of Arizona.

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

“Spatial Competition and Prices in the Agricultural Chemical Industry: Empirical Evidence from Georgia.” R. Lee Hall and Jeffrey H. Dorfman, University of Georgia.

“Grain Market Integration: Case Studies of Structural Change.” Joseph L. Parcell and Jason Franken, University of Missouri.

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

“Information Cascades with Financial Market Professionals: An Experimental Study.” Jonathan Alevy, Michael Haigh and John List, University of Maryland - College Park.

“Technical Analysis, Genetic Programs, and Futures Markets: Risk, Return and Value.” Matthew C. Roberts, The Ohio State University.

Meeting Agenda:

The NCR-134 Regional Research Committee sponsored its 20st 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 and discussed. The conference meeting holds two concurrent sessions where similar methods, commodities, and/or issues are discussed. The papers were selected by the ten members of the NCR-134 Executive Committee from 40 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.

Seven of the 28 papers, or 25%, 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.

An industry professional was 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. Bill Lapp, Vice President of Economic Research, ConAgra Foods, Omaha NE was invited and spoke on the "Dynamics in the U.S. Food & Agricultural Systems: A Private Sector View of Research Issues." The discussion was complementary of the applied research presented at the conference and the work on tools used in forecasting, risk management and modeling. However, the speaker encouraged more applied research work related to policy issues. His view was that there were extensive market intervention proposals before U.S. Congress and these needed objective economic analysis to assess costs and benefits. It was his assessment that most interventions benefitted a small number of producers at the expensive of a large number of consumers.

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 41 participants. Special notice was made of the large number of graduate students but the general decline in attendance. Members were encouraged to recruit for the following year. However, informal assessment indicated that reduced university travel budgets limited attendance.

Koontz reported that the NCR-134 portion of the AgEcon Search web site located at the University of Minnesota would be the location of all presented papers for 2003. The NCR-134 web site managed by Joe Parcel, 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 2004 meeting.

Next year's meeting was tentatively scheduled for April 19-20, 2004 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 2003. Stephen Koontz agreed to continue to serve as committee coordinator.

Meeting Adjourned: 4:30 p.m. April 22, 2003.

Respectfully submitted,

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

Michael Nolan, University of Missouri, Administrative Advisor