Minutes: 2002 Meeting

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

Date/Location: April 22-23, 2002, St. Louis, Missouri, Radisson Hotel, 200 N. Fourth Street.

Conference called to order at 1:00 p.m., April 22, 2002.

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Research Papers Presented:

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

"Contracting, Captive Supply and Price Behavior." Ming-Chin Chin and Robert D. Weaver, Pennsylvania State University.

"Cattle Feeder Perceptions of Livestock Mandatory Price Reporting." Sarah Grunewald and Ted C. Schroeder, Kansas State University.

"Marginal Cash Market Behavior." Hikaru Hanawa Peterson, Kansas State University.

"Impact of Shortcoming in Retail Beef Prices on Research Applications." Wayne D. Purcell, Eluned Jones, and Christine Lensing, Virginia Tech.

"Bovine Spongiform Encephalopathy (BSE): Risks and Implications for the U.S." John A. Fox and Hikaru Hanawa Peterson, Kansas State University.

"Consumer Willingness to Pay for Beef Palatability Characteristics: Results from an Experiment." Stephen R. Koontz, William J. Platter, Keith E. Belk, J. Daryl Tatum, and Gary C. Smith, Colorado State University.

Session 1B – Scott Irwin, University of Illinois, Moderator

"Inventory and Transformation Risks in Oilseed Processing." Roger A. Dahlgran, University of Arizona.

"A Decision Model To Assess Cattle Feeding Price Risk." John D. Lawrence and Gary May, Iowa State University.

"Basis Definition and Basis Behavior in Multiple Component and Butterfat/Skim Federal Order Dairy Markets." Neal Blue and Cameron Thraen, Ohio State University.

"The Information Content of Implied Volatility from Options on Agricultural Futures Contracts." Mark R. Manfredo, Arizona State University, and Dwight R. Sanders, Southern Illinois University.

"Integration and Causality in International Freight Markets - Modeling with Error Correction and Directed Acyclic Graphs." Michael S. Haigh, University of Maryland, Nikos Nomikos, Baltic Exchange, U.K., and David Bessler, Texas A&M University.

"Risk Aversion, Uncertainty Aversion, and Variation Aversion in Applied Commodity Price Analysis." Darren Frechette, Pennsylvania State University.

Session 2A – Ted C. Schroder, Kansas State University, Moderator

"Emerging IP Markets: The Tokyo Grain Exchange Non-GMO Soybean Contract." Joe Parcell, University of Missouri.

"Hedging Spot Corn: An Examination of the Minneapolis Grain Exchange's Cash Settled Corn Contract." Tracy D. Greer and Dwight R. Sanders, Southern Illinois University.

"Modeling Contract Form: An Examination of Cash Settled Futures." Dwight R. Sanders, Southern Illinois University, and Mark R. Manfredo, Arizona State University.

"An Evaluation of Crop Forecast Accuracy for Corn and Soybeans: USDA and Private

Information Services." T.M. Egelkraut, P. Garcia, S. H. Irwin, and D. L. Good, University of Illinois at Urbana-Champaign.

"Hedging Price Risk in the Presence of Crop and Revenue Insurance." Olivier Mahul, Institut National de la Recherche Agronomique, France.

"Dynamic Risk Management Under Credit Restraints." Gerald Nyambane, Steve Hanson, and Roy Black, Michigan State University.

Session 2B – Michael Haigh, University of Maryland, Moderator

"Non-expected Utility Theories: Weighted Expected Utility, Rank Dependent Utility, and Cumulative Prospect Theory." Jonathan Tuthill and Darren Frechette, Pennsylvania State University.

"Pricing Weather Derivatives: The Importance of Discrete Events." Timothy J. Richards and Mark R. Manfredo, Arizona State University, and Dwight R. Sanders, Southern Illinois University.

"Can Structural Change Explain Changes in the Returns to Technical Analysis?" Willis V. Kidd and B. Wade Brorsen, Oklahoma State University.

"Pricing and Hedging European Futures Spread Options on Agricultural and Energy Spreads." Matthew P. Schaefer, New York Mercantile Exchange.

"Pricing of Options with Stochastic Volatilities: Application to Agricultural Commodity Contracts." Nasibrola Lordkipanidze and William Tomek, Cornell University.

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

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

"An Alternative Explanation of Where Price Discovery Occurs in Beef Markets?" Ted C. Schroeder and James Mintert, Kansas State University.

"Assessing the Cost of Beef Quality." John D. Lawrence and Gary May, Iowa State University.

Session 3B – Darren Frechette, Pennsylvania State University, Moderator

"Producers' Use of Risk Management Tools: What, When and Why?" Joost M. E. Pennings, Scott H. Irwin, and Darrel L. Good, University of Illinois at Urbana-Champaign.

"Actual Farmer Market Timing." B. Wade Brorsen and Kim. B. Anderson, Oklahoma State University.

Meeting Agenda:

The NCR-134 Regional Research Committee sponsored its 19st annual conference on Applied Commodity Price Analysis, Forecasting, and Market Risk Management on April 22-23 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 48 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.

Four of the 28 papers, or 14%, are collaborative works by researchers at different institutions. This regional project is the 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. Richard A. Brock of Brock Associates discussed "Perspectives from the Market Advisory Service Trade." There has been research presented at the NCR-134 meetings that evaluate market advisory services. Most of this research is not flattering to advisory services. Mr. Brock was invited to respond because he had been speaking on this issue at industry meetings. The discussion was frank and useful. Interesting questions were revealed on both sides of the argument.

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 and industry participants. Members were encouraged to recruit for the following year.

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 2002. 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 2003 meeting.

Next year's meeting was tentatively scheduled for April 21-22, 2003 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