



Risk Assessment for New Generation Grain Contracts

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December 2004*



Risk Assessment Should Differ by Type of New Generation Contract

- Automated pricing rules
 - Scenario analysis: performance in representative years with up, down, and flat price patterns
- Managed hedging
 - Past performance of similar contracts
 - AgMAS performance evaluations

Figure 2: "Up" Year
Daily Prices of Corn, Central Illinois, 1995 Crop Year

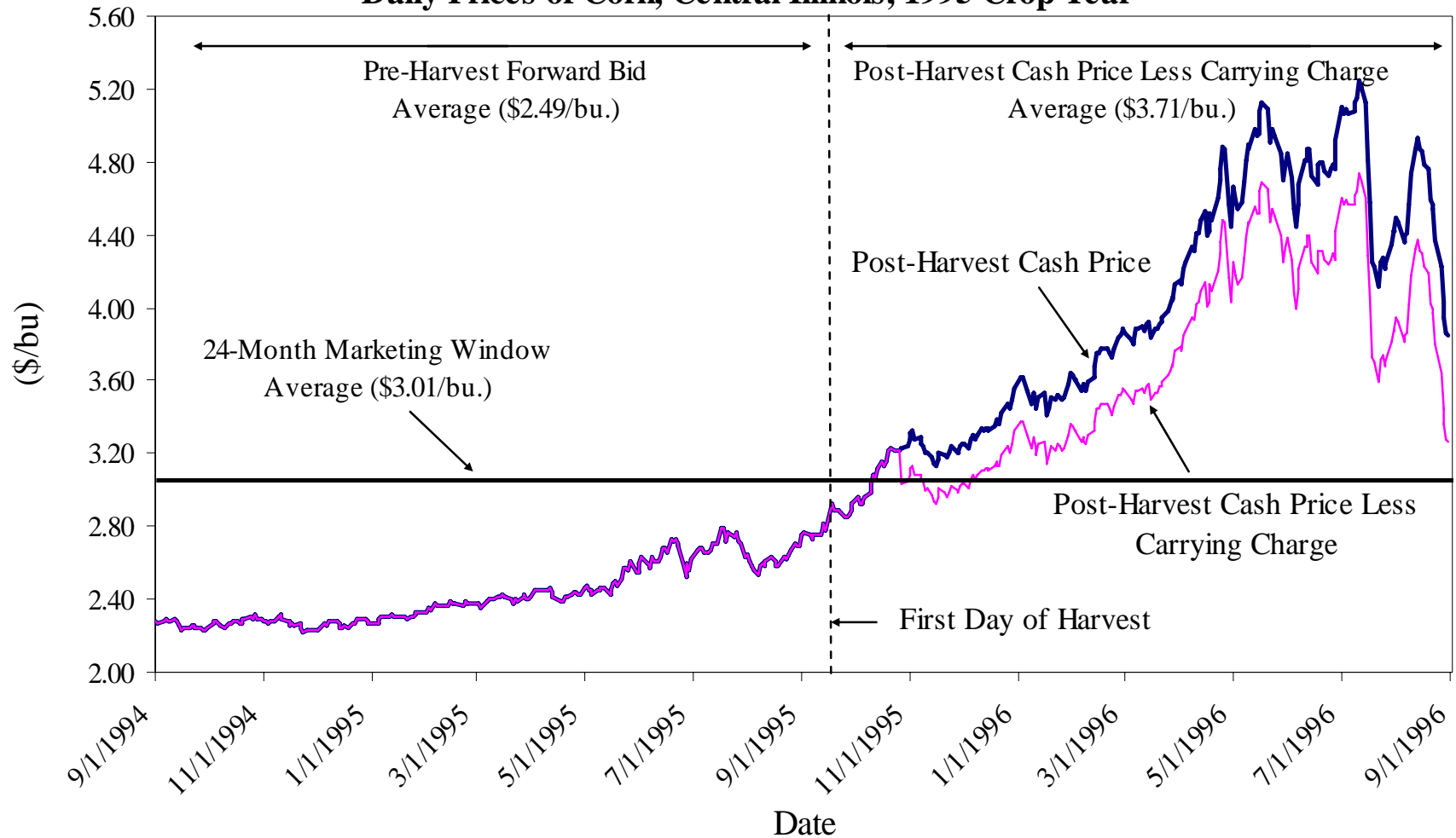


Figure 3: "Down" Year
Daily Prices of Corn, Central Illinois, 1998 Crop Year

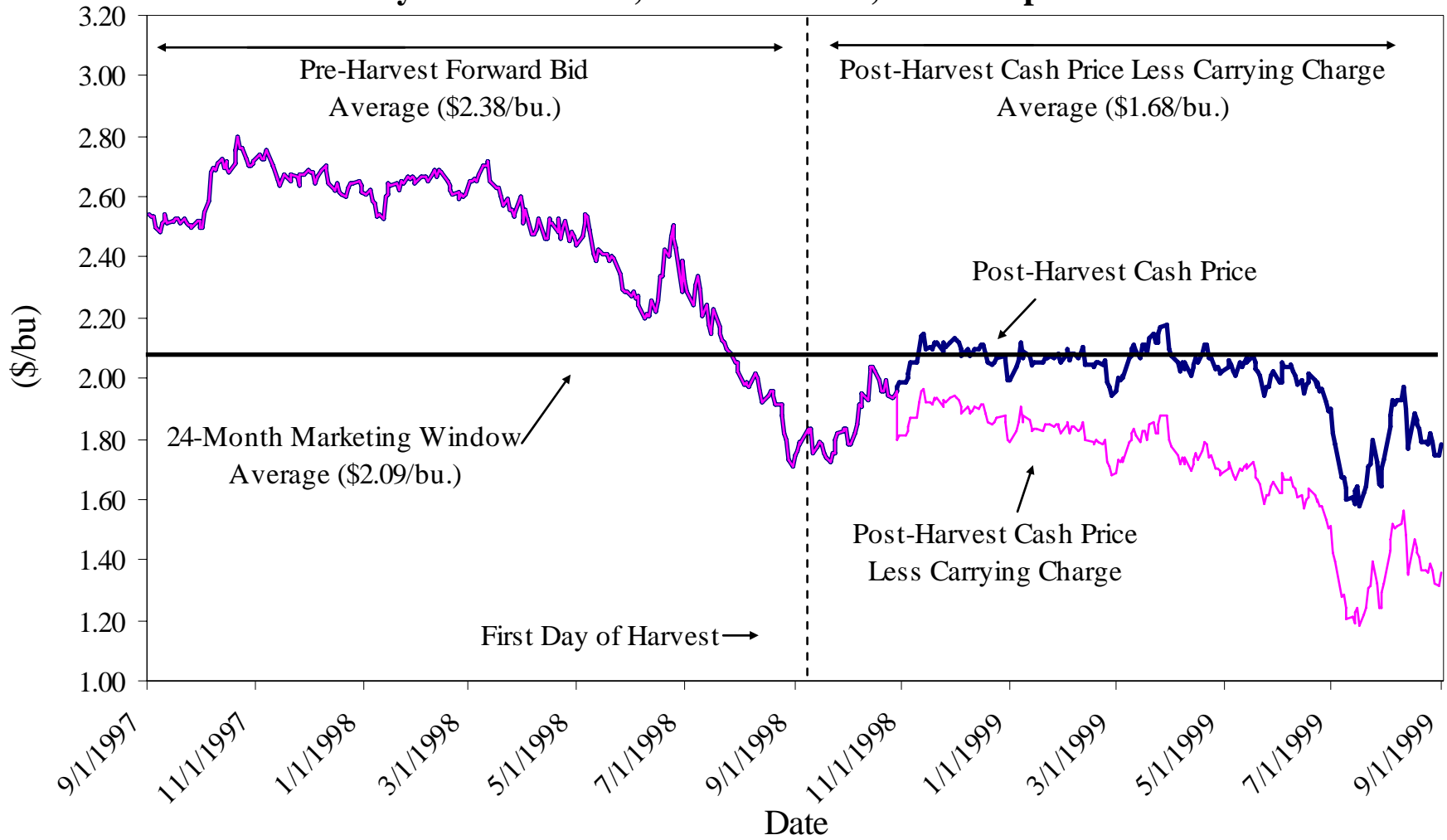
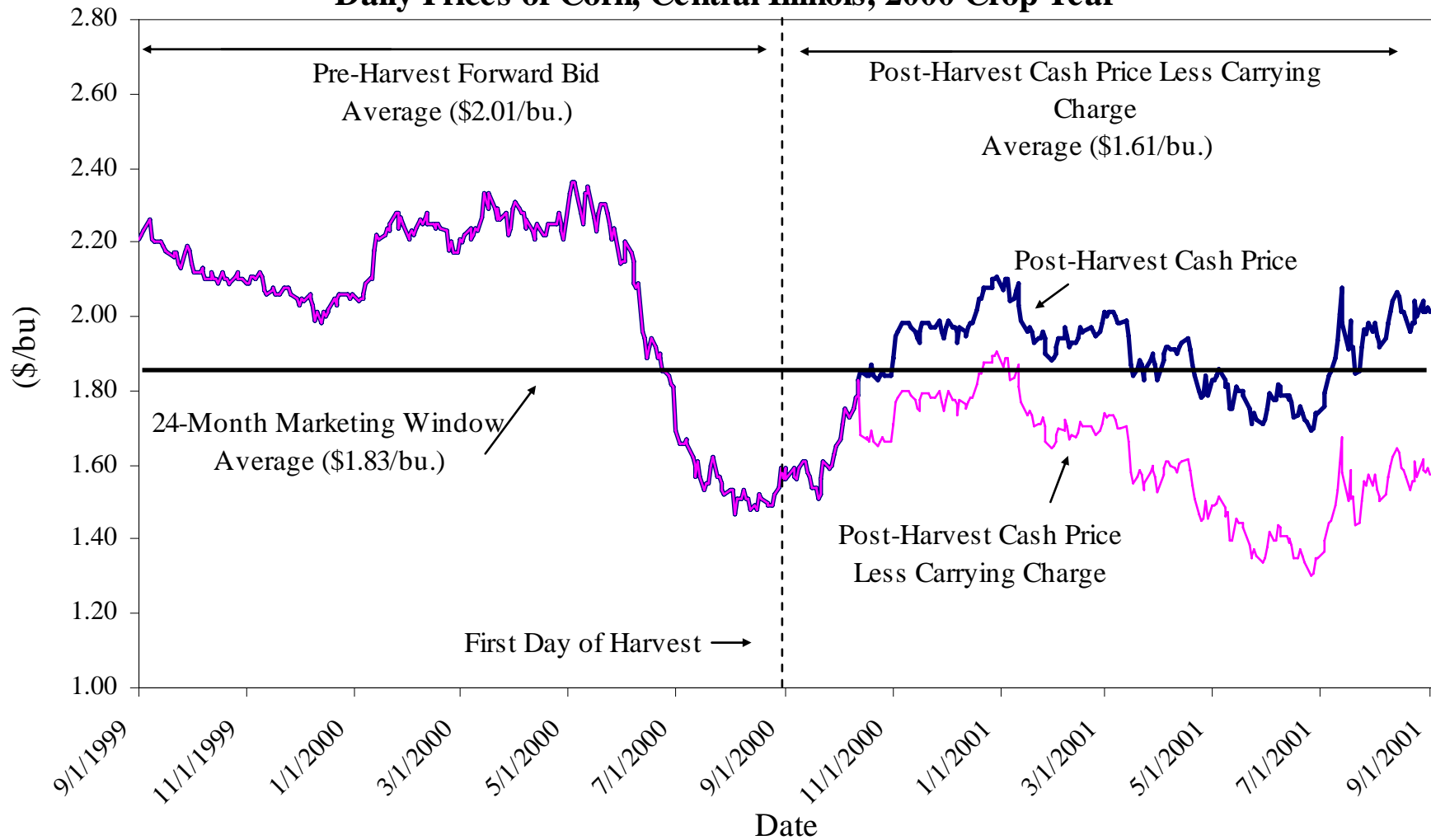


Figure 4: "Flat" Year
Daily Prices of Corn, Central Illinois, 2000 Crop Year



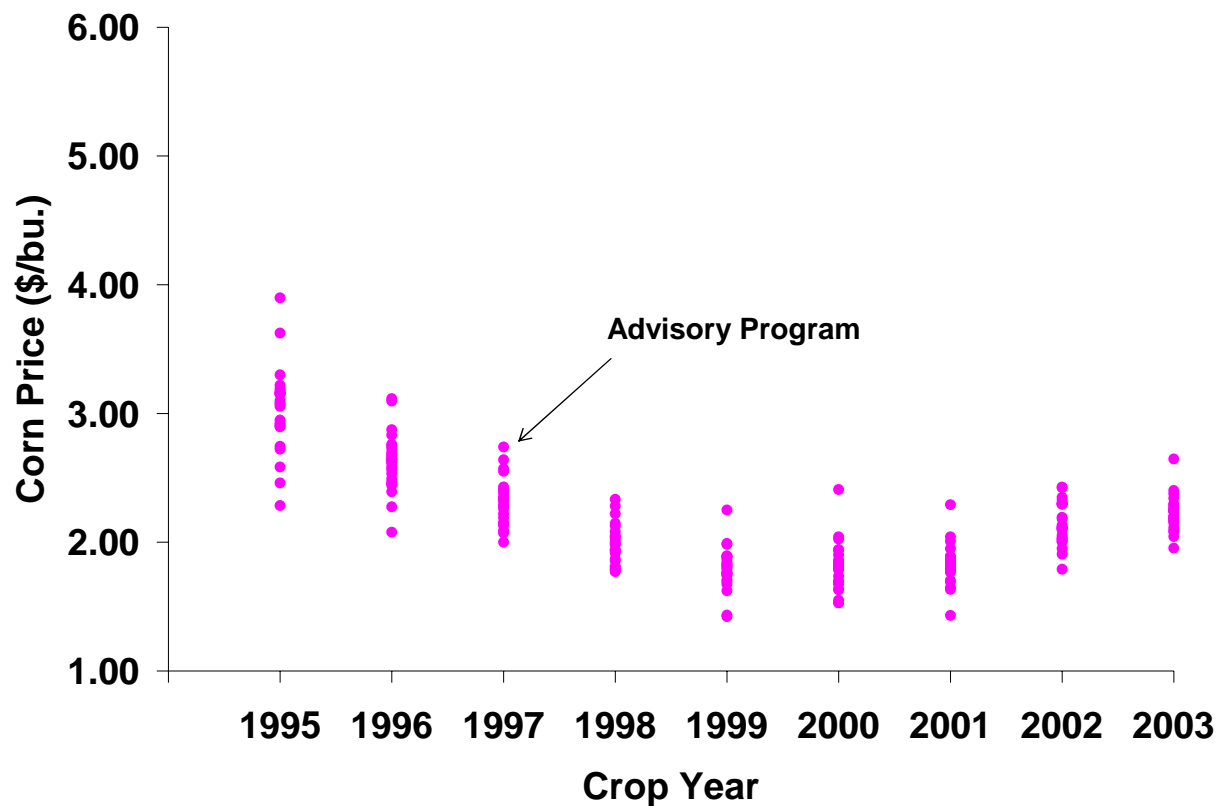
Hagedorn et al. "New Generation Grain Marketing Contracts." AgMAS Project Research Report 2003-01, Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, January 2003.

(<http://www.farmdoc.uiuc.edu/agmas/reports/index.html>)

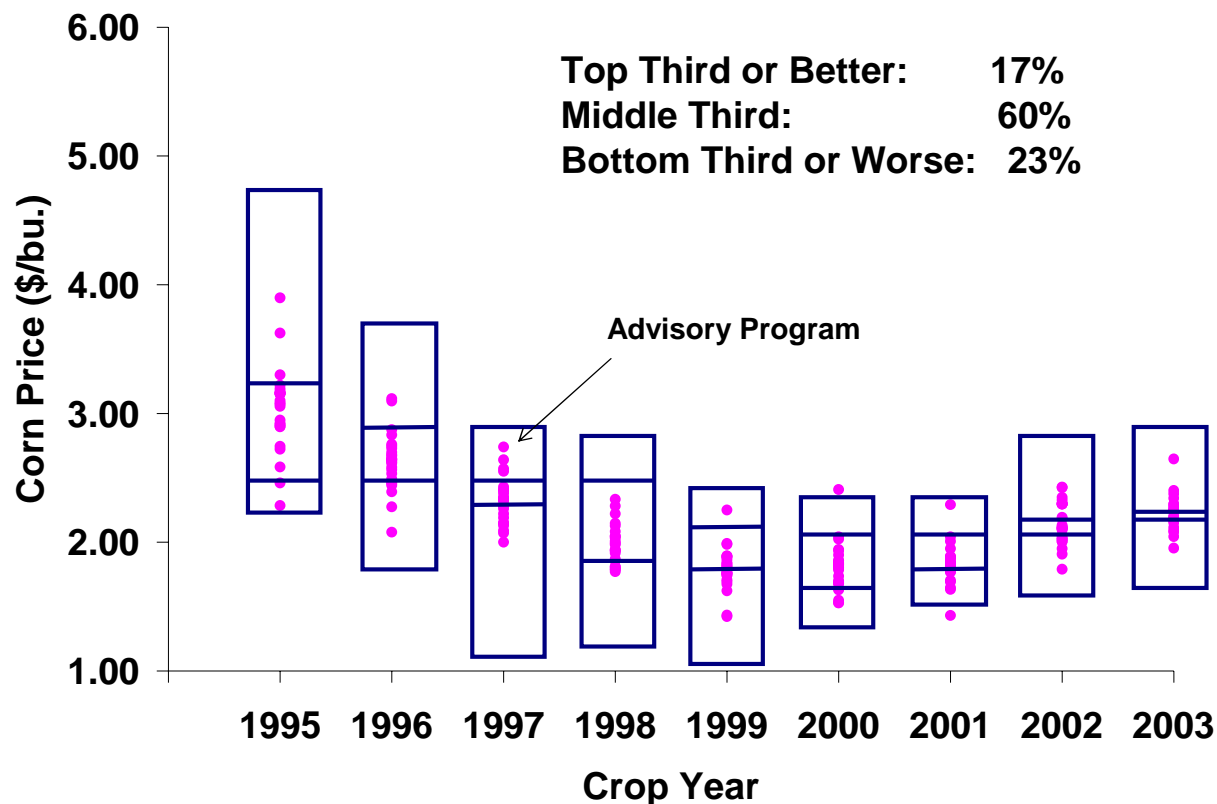
AgMAS Data Collection

- Tracking about 25-35 advisory programs per year since September 1994
- Paid subscriptions obtained for each service
- Recommendations recorded in "real-time"
- No survivorship or hindsight bias
- Data available for corn and soybeans for 1995-2003 crops

Performance of Advisory Programs in Corn, 1995-2003 Crop Years, Central Illinois

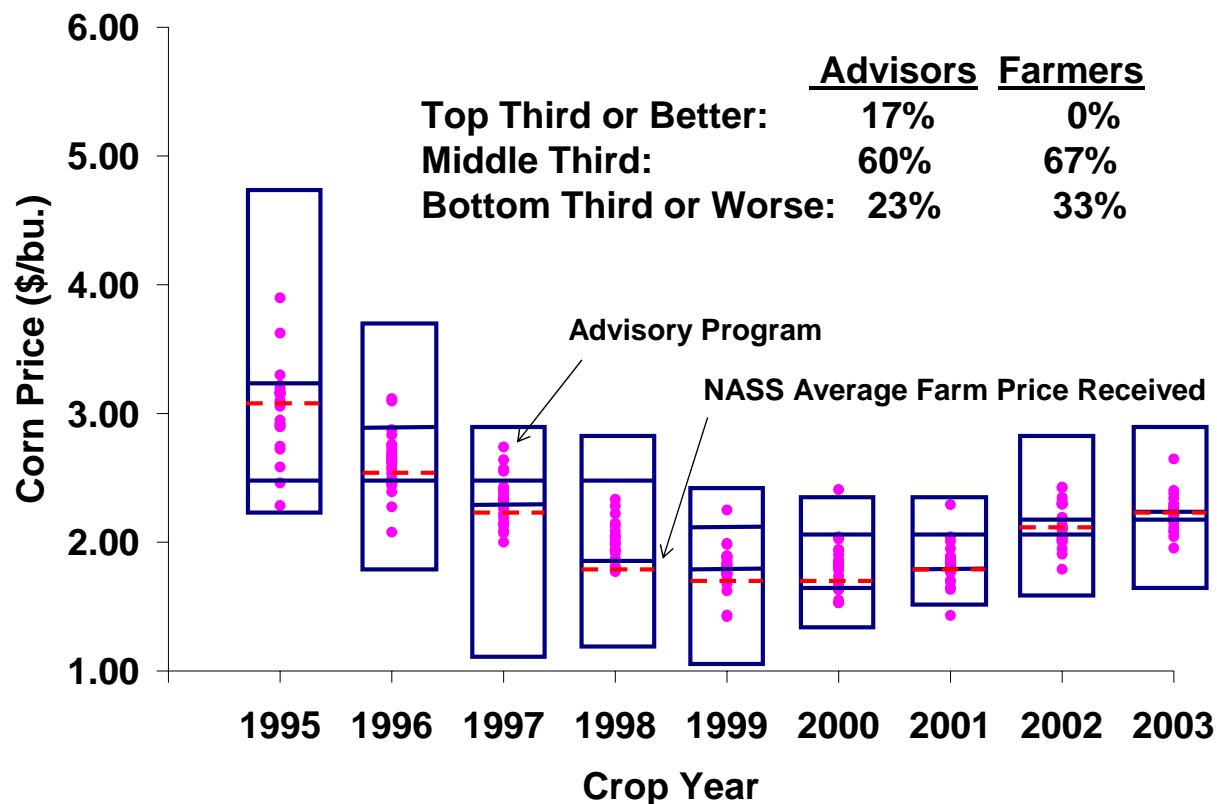


Performance of Advisory Programs in Corn, 1995-2003 Crop Years, Central Illinois



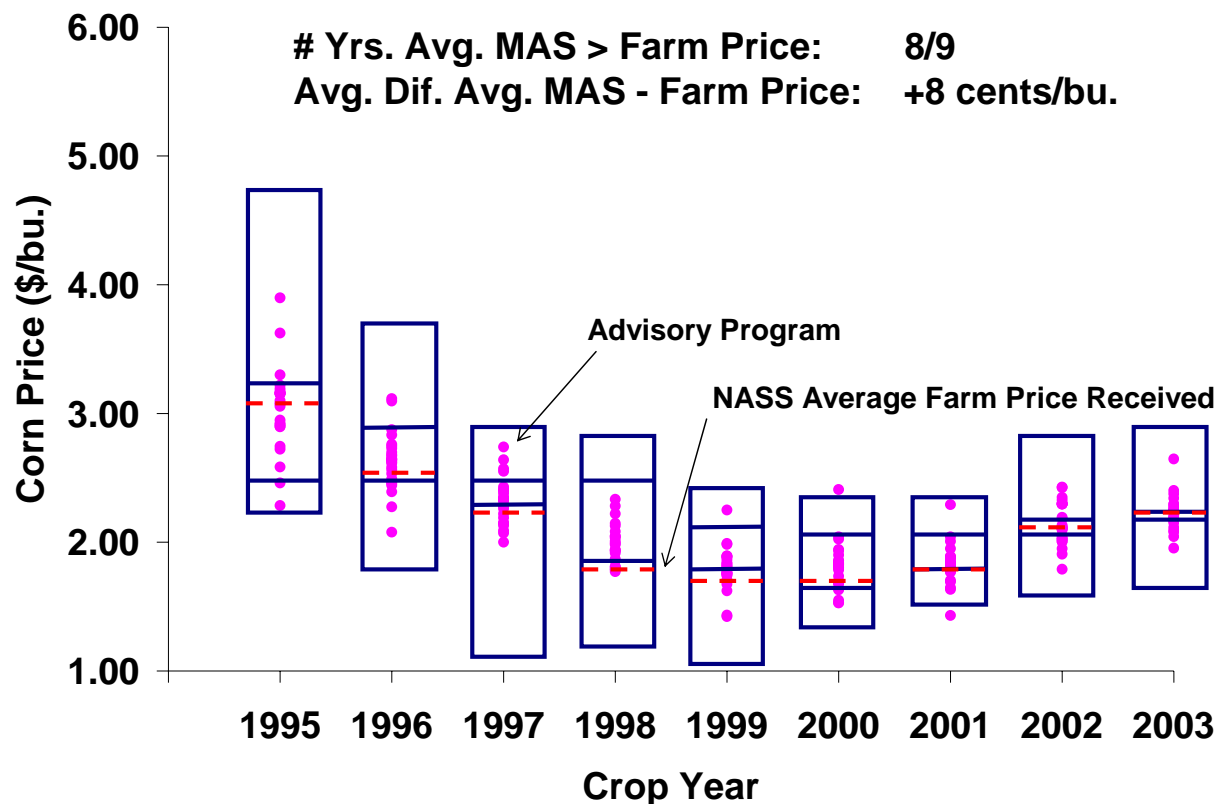
Note: LDP/MLG benefits not included.

Performance of Advisory Programs in Corn, 1995-2003 Crop Years, Central Illinois



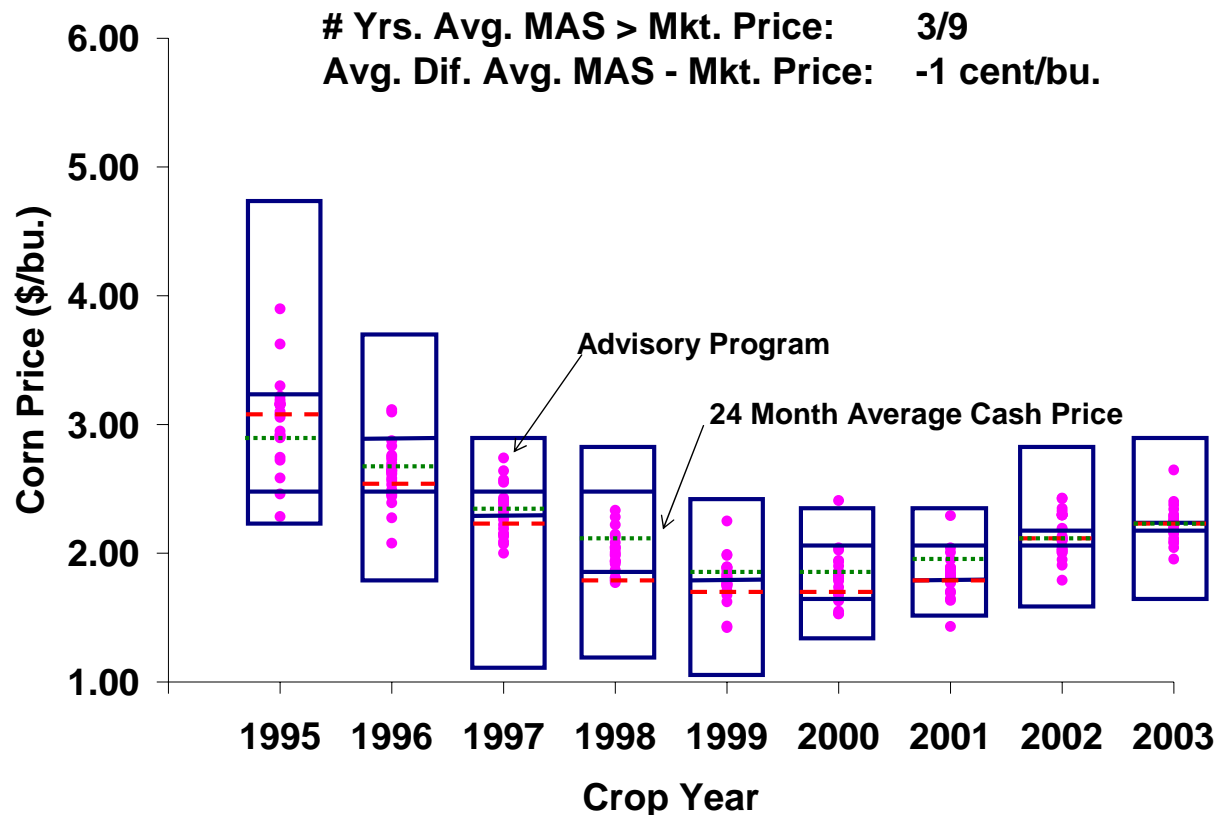
Note: LDP/MLG benefits not included.

Performance of Advisory Programs in Corn, 1995-2003 Crop Years, Central Illinois



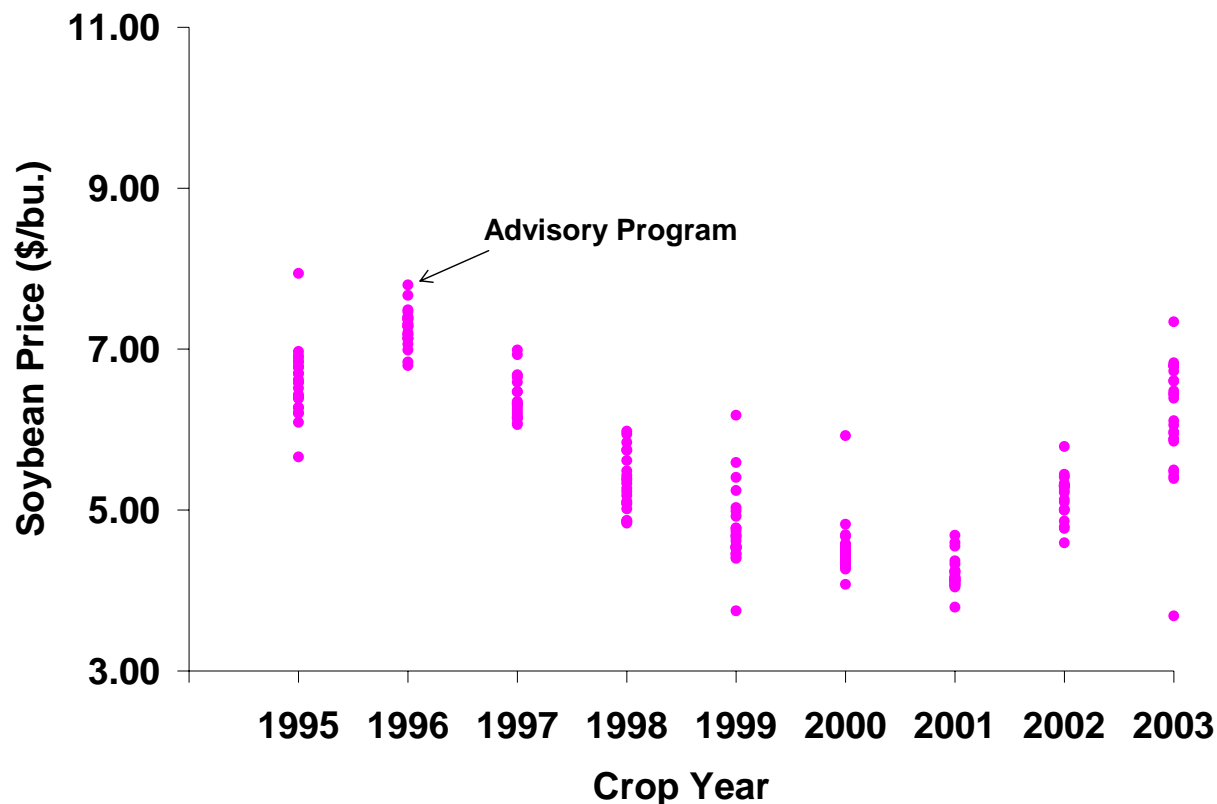
Note: LDP/MLG benefits not included.

Performance of Advisory Programs in Corn, 1995-2003 Crop Years, Central Illinois

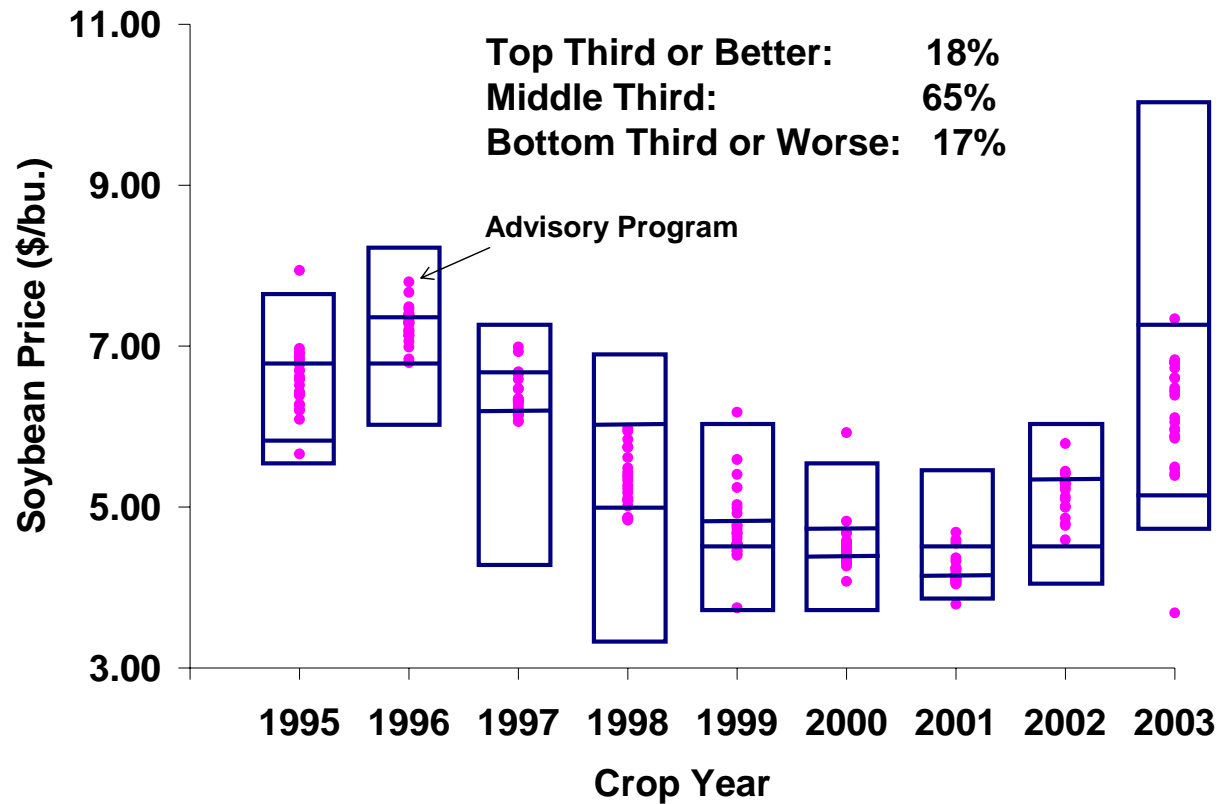


Note: LDP/MLG benefits not included.

Performance of Advisory Programs in Soybeans, 1995-2003 Crop Years, Central Illinois

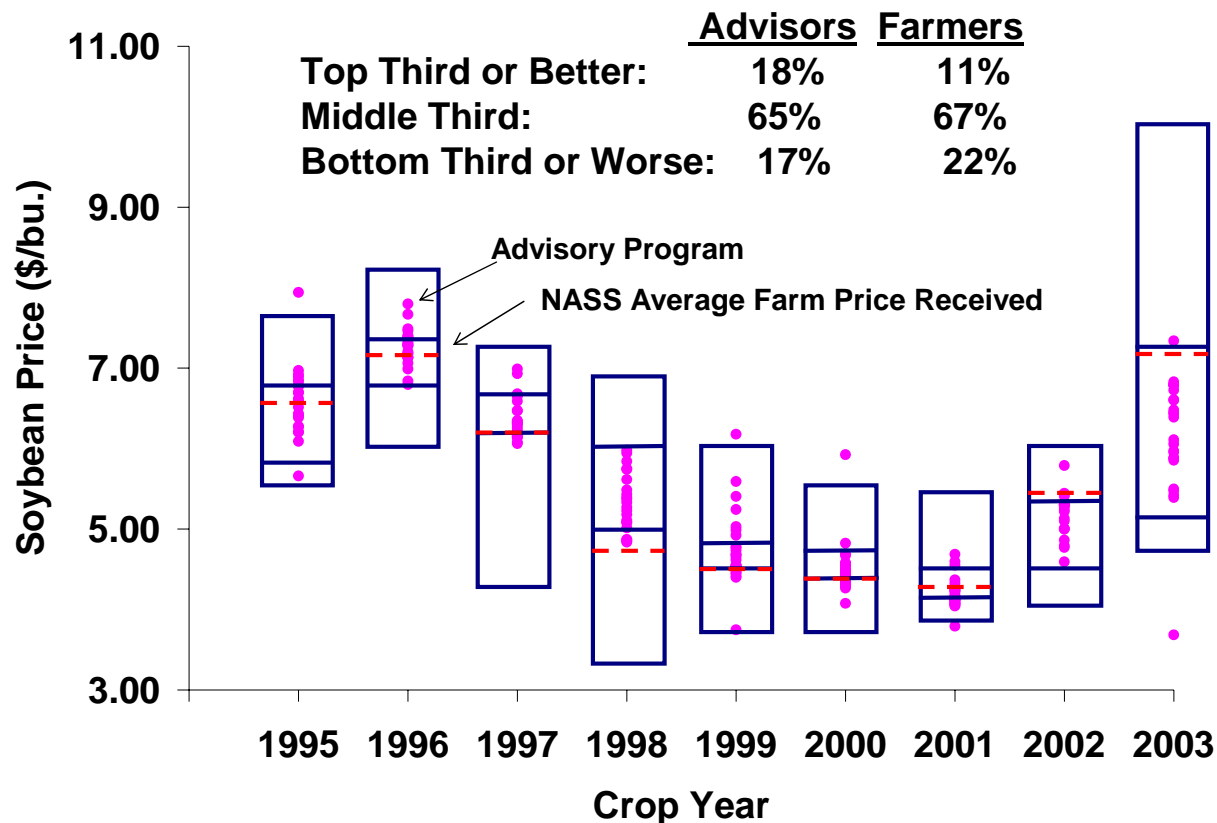


Performance of Advisory Programs in Soybeans, 1995-2003 Crop Years, Central Illinois



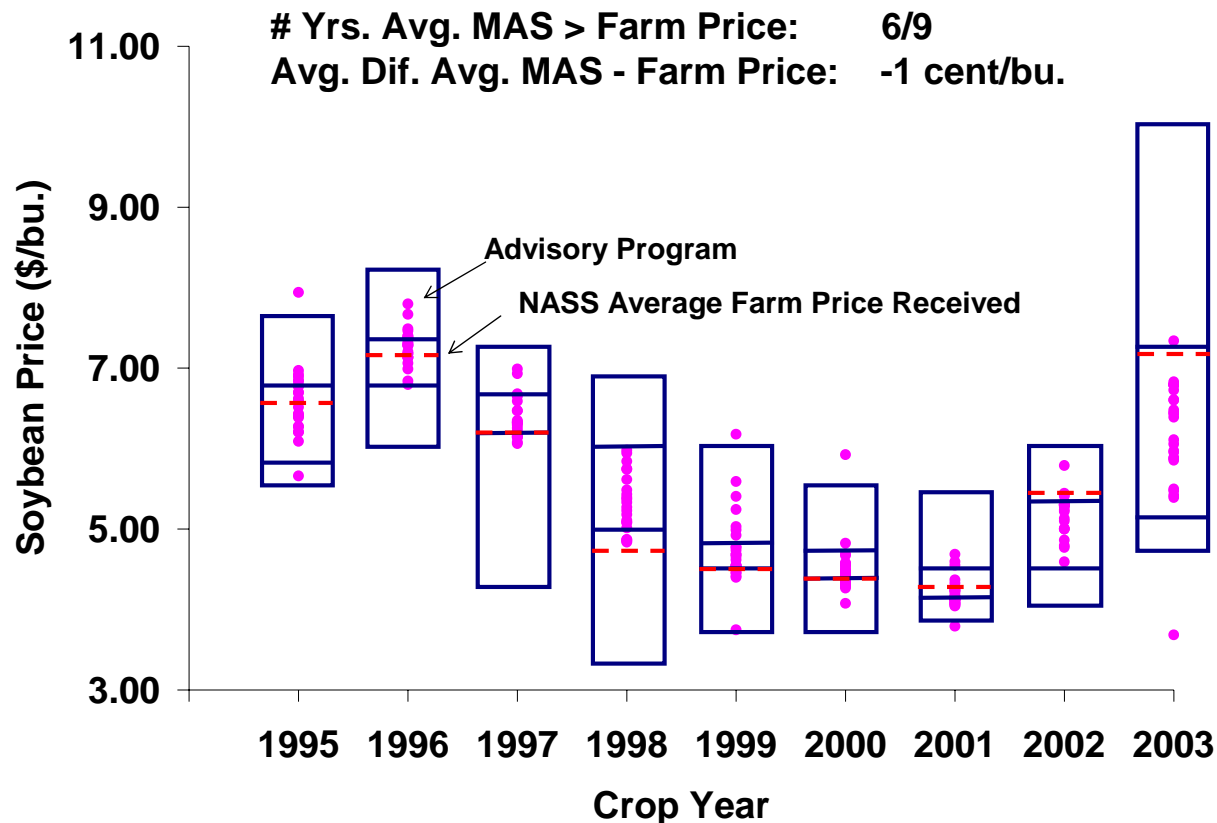
Note: LDP/MLG benefits not included.

Performance of Advisory Programs in Soybeans, 1995-2003 Crop Years, Central Illinois



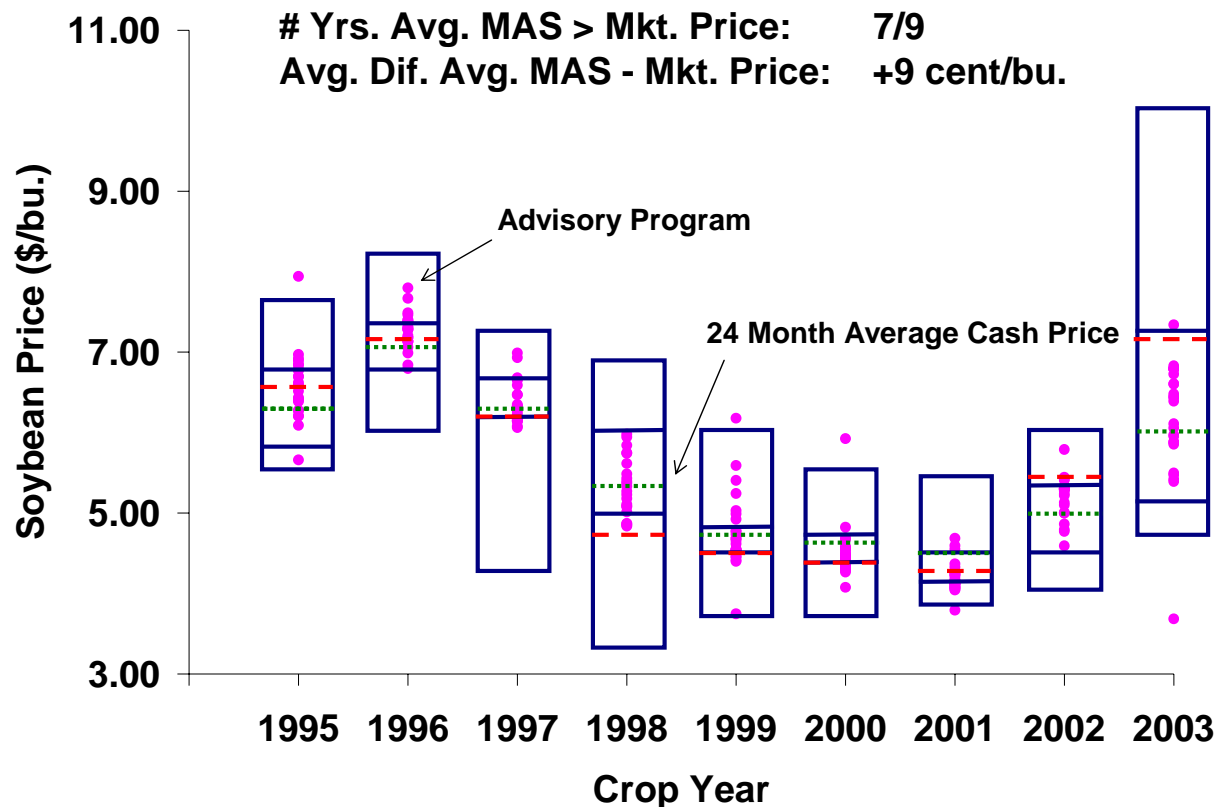
Note: LDP/MLG benefits not included.

Performance of Advisory Programs in Soybeans, 1995-2003 Crop Years, Central Illinois



Note: LDP/MLG benefits not included.

Performance of Advisory Programs in Soybeans, 1995-2003 Crop Years, Central Illinois

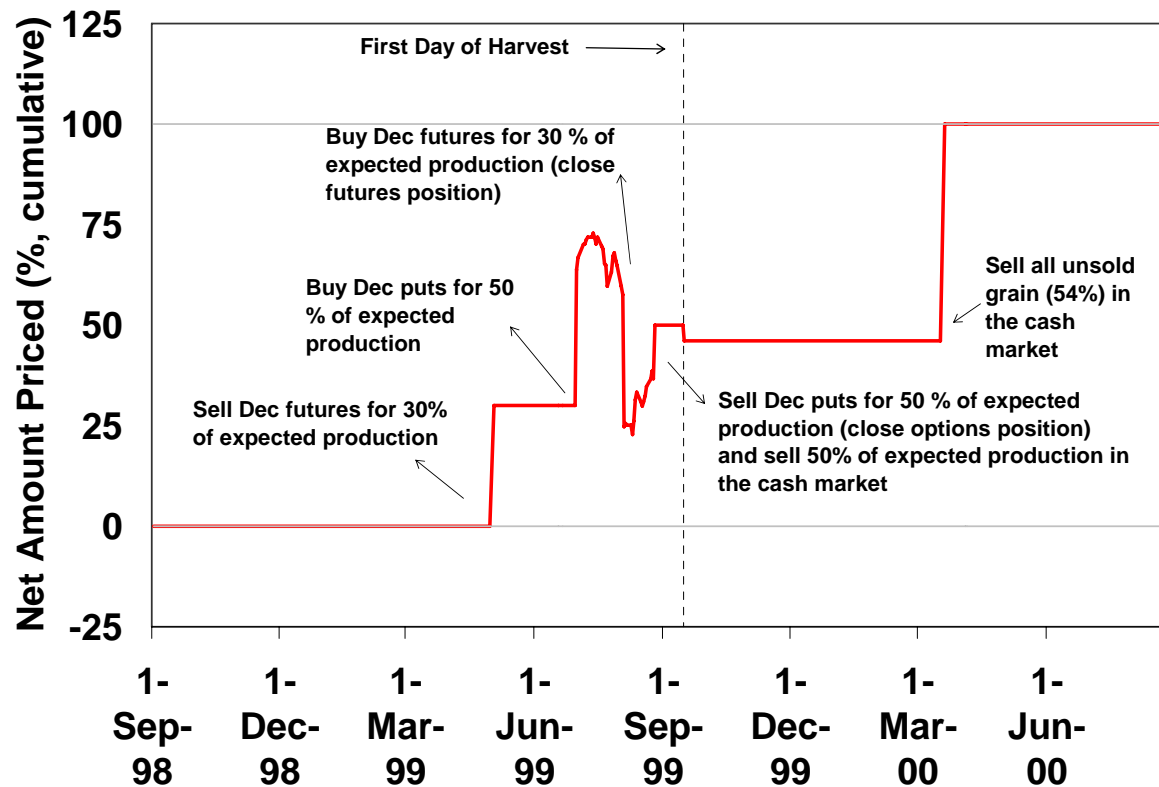


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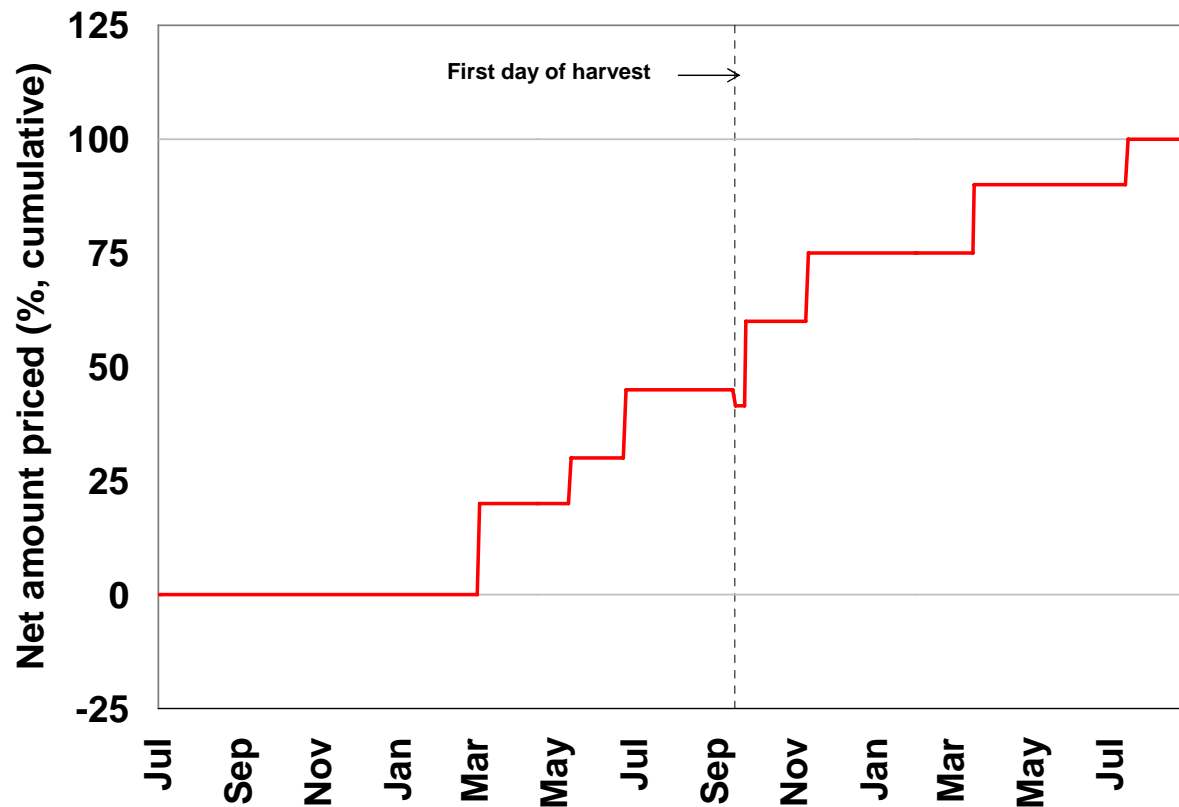
Marketing Philosophy/Style

- Every individual farmer has a marketing philosophy, or style, that is unique
- Types of styles range from:
 - Conservative and risk-minimizing
 - Active and risk-seeking
- Our research shows that match between farmer and advisory service style is second in importance only to pricing performance in selecting a service

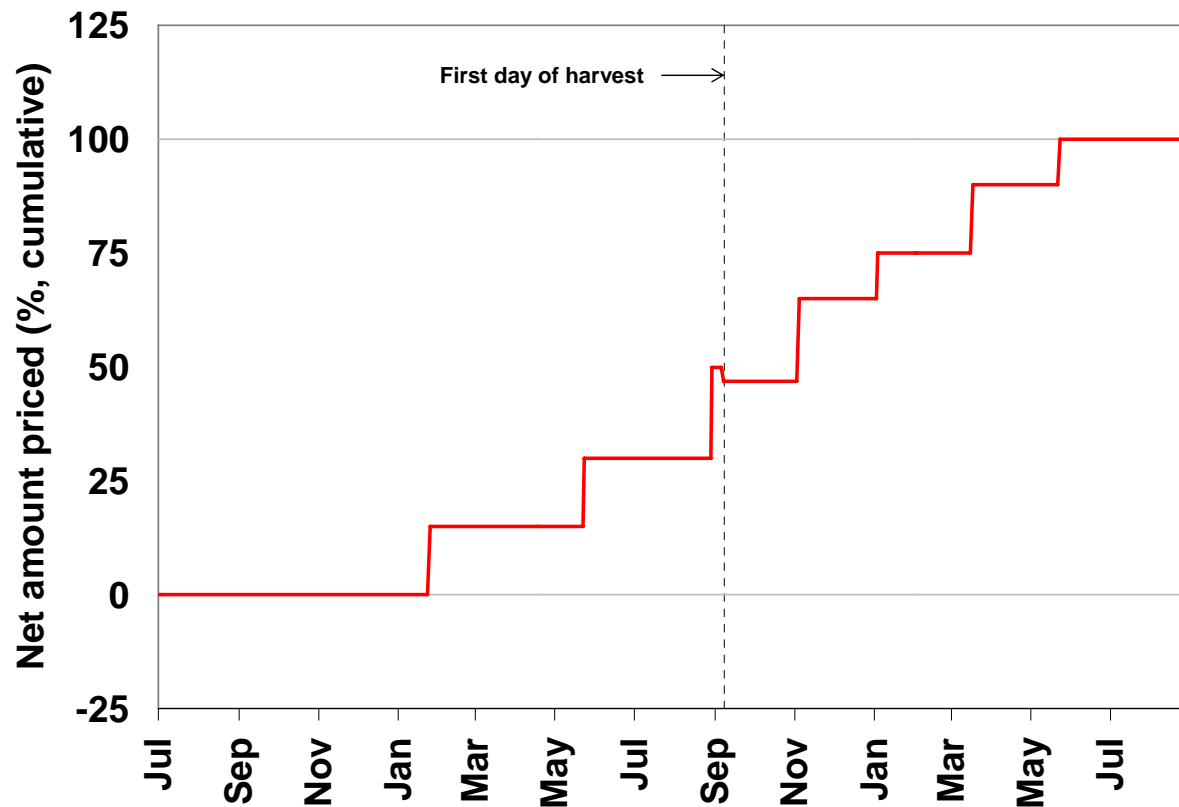
Example of the Construction of an AgMAS Marketing Profile



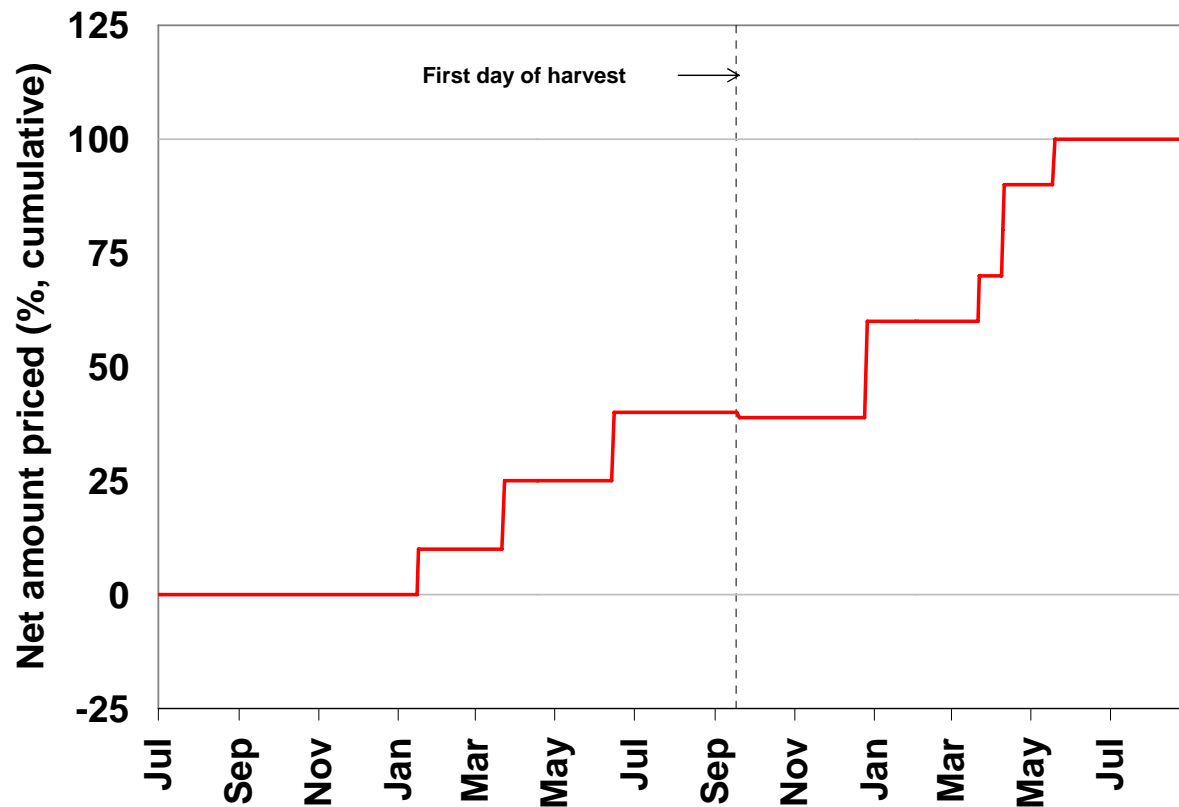
Marketing Profile for a Conservative Advisory Program in Corn, 1999 Crop Year



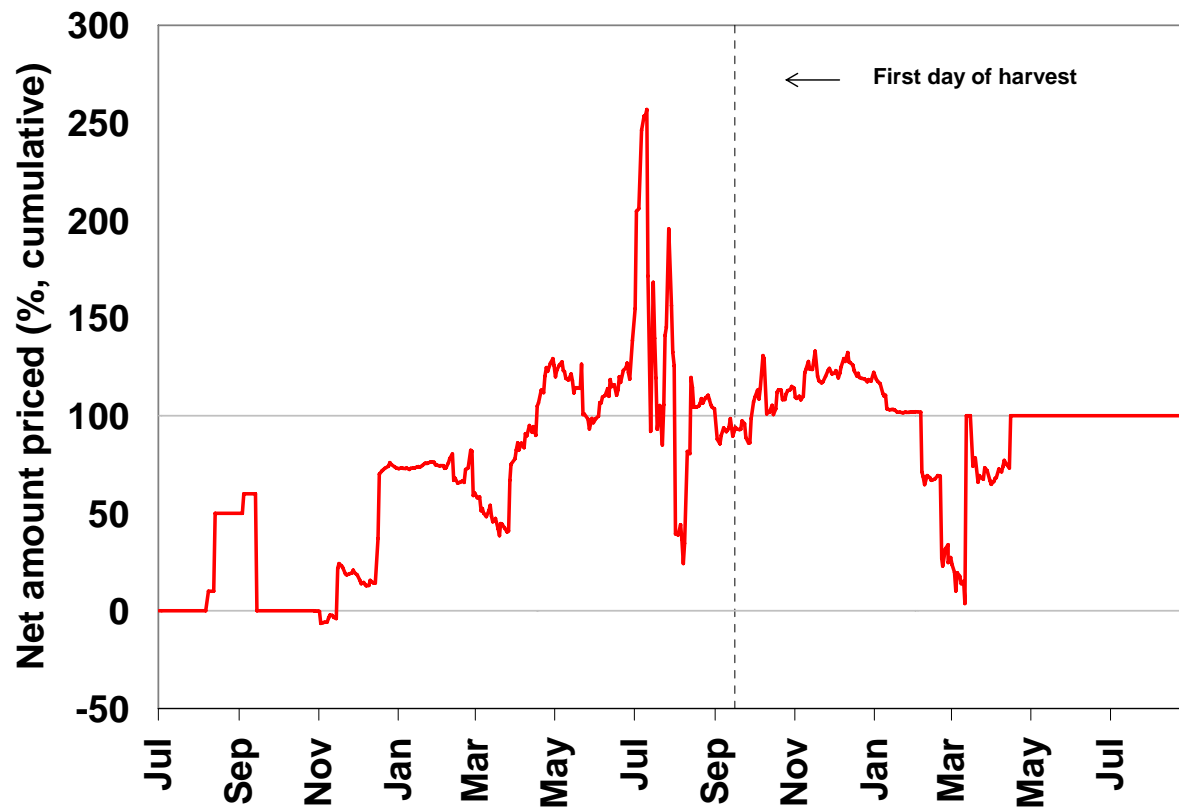
Marketing Profile for a Conservative Advisory Program in Corn, 2000 Crop Year



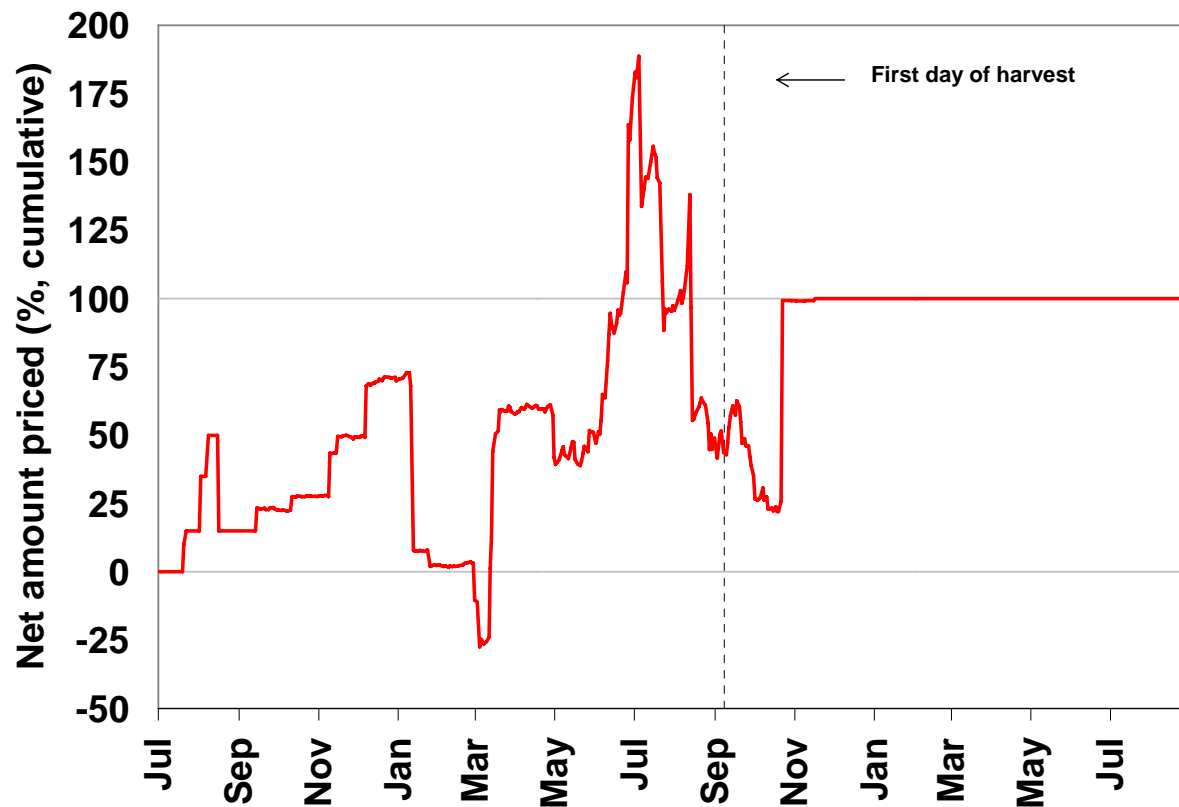
Marketing Profile for a Conservative Advisory Program in Corn, 2001 Crop Year



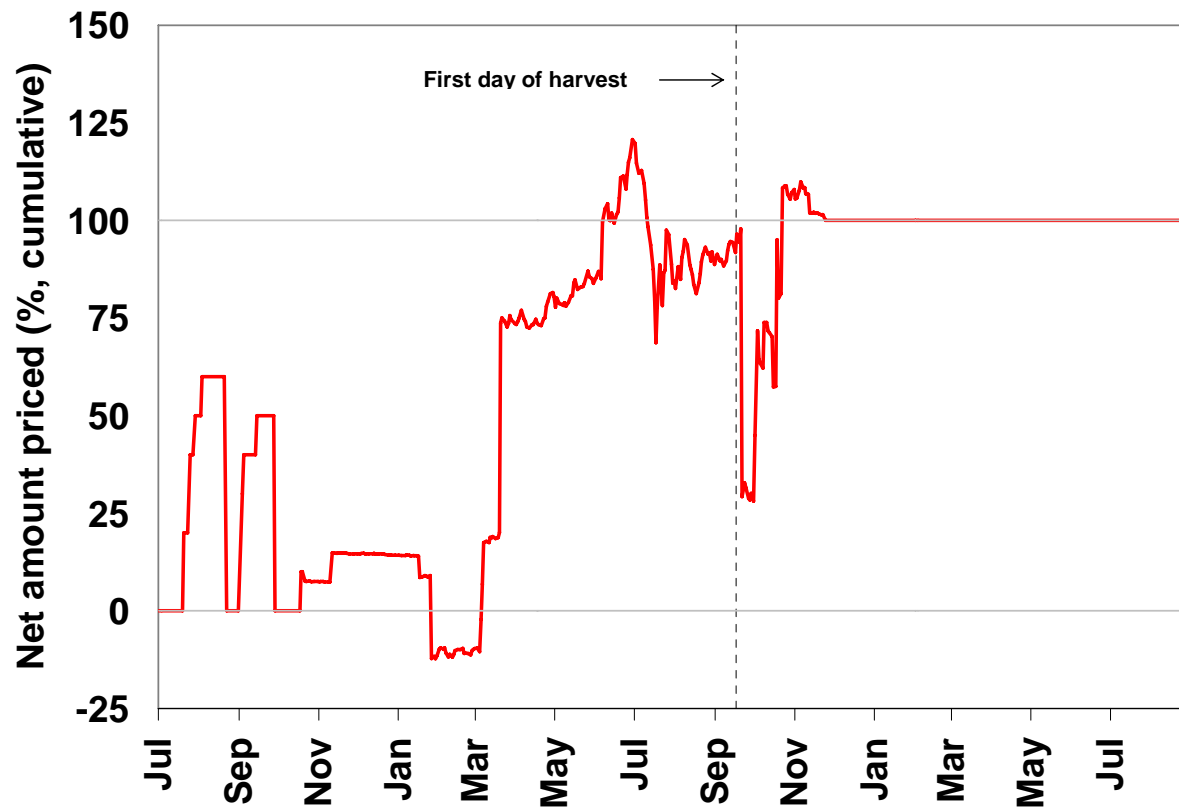
Marketing Profile for an Active Advisory Program in Corn, 1999 Crop Year



Marketing Profile for an Active Advisory Program in Corn, 2000 Crop Year



Marketing Profile for an Active Advisory Program in Corn, 2001 Crop Year



Contacting the AgMAS Project

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DISCLAIMER

The advisory service marketing recommendations used in this research represent the best efforts of the AgMAS Project staff to accurately and fairly interpret the information made available by each advisory service. In cases where a recommendation is vague or unclear, some judgment is exercised as to whether or not to include that particular recommendation or how to implement the recommendation. Given that some recommendations are subject to interpretation, the possibility is acknowledged that the AgMAS track record of recommendations for a given program may differ from that stated by the advisory service, or from that recorded by another subscriber. In addition, the net advisory prices presented in this report may differ substantially from those computed by an advisory service or another subscriber due to differences in simulation assumptions, particularly with respect to the geographic location of production, cash and forward contract prices, expected and actual yields, storage charges and government programs.

Thank You!