

Peer Review Plan

Preliminary Title: Non-convergence in Domestic Commodity Futures Markets: Causes, Consequences and Remedies

Type of Report (ERR, EIB, EB) EIB

Agency: Economic Research Service [X] Influential Scientific Information
USDA [] Highly Influential Scientific Assessment

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Subject of Review: During most of 2005-2010, the price of expiring U.S. corn, soybeans, and wheat futures contracts settled much higher than corresponding delivery market cash prices. Because futures contracts at expiration are commonly thought to be equivalent to cash grain, this commodity price non-convergence appeared to violate the law of one price. In addition sustained non-convergence concerned market participants, exchanges, and policymakers since it can make hedging less effective, send confusing signals to the market, threaten the viability of a contract, and ultimately lead to a misallocation of agricultural resources. This EIB summarizes prominent theories that have been offered to explain non-convergence, including a new model that explains how the structure of a competitive delivery market can generate a positive expiring basis.

Purpose of Review: The purpose of the review is to ensure the high-quality of the economic analysis, transparent explanation of methods, objective interpretation of results, and effective communication to the intended audience.

Type of Review: [] Panel Review [X] Individual Reviewers

[] Alternative Process (Briefly Explain):

Timing of Review (Est.): Start: 09/5/12 End: 02/07/13 Completed: 02/07/13

Number of Reviewers: [] 3 or fewer [X] 4 to 10 [] More than 10

Primary Disciplines/Types of Expertise Needed for Review: Economists

Reviewers selected by: [X] Agency [] Designated Outside Organization
Organization's Name:

Opportunities for Public Comment? [] Yes [X] No

If yes, briefly state how and when these opportunities will be provided:

How:

When:

Peer Reviewers Provided with Public Comments? [] Yes [X] No

Public Nominations Requested for Review Panel? [] Yes [X] No

