

Peer Review Plan

Preliminary Title: Convergence Performance of Expiring Agricultural Futures and Cash Prices

Type of Report (ERR, EIB, EB,) SO

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

Agency Contact: Daniel Pick, dpick@ers.usda.gov

Subject of Review: Poor convergence of futures and cash prices affecting the CME Group/CBOT's corn, soybean, and wheat futures contracts and the CME Group/KCBOT's wheat contract became a concern for market participants and policy makers in the mid-2000s. Convergence between futures and cash prices is central to the market risk transfer and price discovery functions of futures markets. Research findings diagnosed the reasons for non-convergence to be associated with contract design and market conditions. During 2008 to 2011 the CBOT and KCBOT modified their contracts for these commodities. Actions taken to address poor convergence performance include a series of contract changes 1). Limiting the number of shipping certificates that an individual firm can hold at any one time, 2). Aligning contract storage rates with industry storage costs 3). Adding delivery locations to provide the SRW wheat contract sufficient wheat during the delivery period, and 4). Reducing the vomitoxin level to 2 ppm for par delivery in the SRW and HRW wheat contract thus conforming to current industry standards. These changes have generally led to improved convergence, although additional changes may be necessary to ensure continued convergence performance.

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: 6/4/13 End: 10/24/13 Completed: 10/24/13

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

