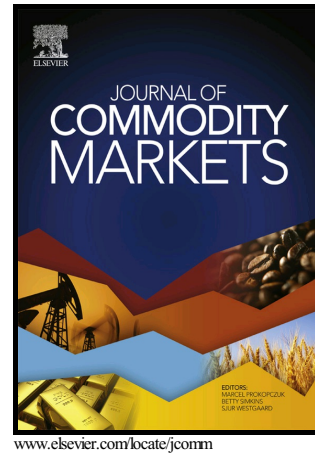


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Price discovery in agricultural commodity markets in the presence of futures speculation

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Abstract

We study the relationship between spot and futures prices of corn, wheat, soybeans, soybean meal and oil, feeder and live cattle, as well as lean hogs to test which markets lead price discovery in these commodities. Using a recently developed unique information share we find evidence that the prices of these commodities are almost uniquely formed in the spot market. The market for futures contracts contributes less than 10% to price discovery (in the Hasbrouck sense). We interpret these results as evidence against adverse effects of futures speculation on commodity prices in the long run.

Keywords: agricultural commodities, price discovery, unique information shares, futures speculation

JEL: C32, G13, Q14

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