INSTITUTIONAL EFFECTS ON GRAIN PRODUCER PRICE-RISK MANAGEMENT BEHAVIOR: A COMPARATIVE STUDY ACROSS THE UNITED STATES AND SOUTH AFRICA

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ABSTRACT

This dissertation analyzes the impact of the surrounding agricultural marketing environment on grain producers’ hedging decisions. This dissertation hypothesize that supports such as producer income supports and grain price protections create general disincentives to consistently manage price-risk, particularly at low prices. A three-stage comparative method is used to test this hypothesis. Producer price-risk management interviews conducted in both the South African and U.S. grain belt regions are the primary data source. South African producer price-risk management decisions in a non-supported environment are compared to U.S. producer price-risk management decisions in a supported environment using a tobit regression. Producing in South Africa as compared to producing in the U.S. has a significantly positive impact on both pre-plant and pre-harvest hedging levels. Important market-based variables including debt, diversification and yield risk are also found to significantly impact the hedging decision across countries.