# Agricultural Economics Research

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# In This Issue

"The price at which the market demand curve and market supply curve intersect is a market clearing price at which buyers and sellers are satisfied such that no economic forces are engaged to change the price" In their economics classes, multitudes of economics students have heard this explanation of price determination Although this explanation is correct and it generically describes the interaction of market forces in determining prices, a student who tries to apply it to predict a price in a particular market quickly recognizes its limits Where are the market demand curve and the market supply curve the instructor so easily sketched? Where is the market where these forces interact?

The gap between the theoretically sound explanation of price determination on textbook supply and demand schedules and the explanation of price determination as actual markets that represent not only different products but also the same product with differing time, space, and form attributes has always been imperfectly bridged Both articles in this issue address the issue of price determination in a particular market

In the lead article, Plato addresses the pricing of American options on commodity futures contracts Recognizing that questions will inevitably arise about whether the market price of these recently permitted instruments lies above or below their real economic value, Plato describes a numerical procedure which provides unbiased estimates of the premiums for these contracts by accounting for the value of early option exercise

In the following article, Brorsen, Grant, and Chavas investigate price discovery for rice byproducts and conclude rice byproduct prices may be more influenced by shifts in their demand than shifts in their supply

In the Research Review, Schertz returns us to commodity options contracts and explores the relationship between the role of agricultural commodity options and Government price supports in transferring price risks from producers to a broader group in society, and Trechter reviews a set of writings, *Risk Management in Agriculture*

GERALD SCHLUTER

## Best Article Award

The ERS Administrator's Award for the best article in *Agricultural Economics Research* for the publication year ending April 1984 went to Laura A Blanciforti, formerly of the National Economics Division She was honored at a ceremony on February 12, 1985, for her excellence in creative economic analysis and communication in her article, "The Almost Ideal Demand System A Comparison and Application to Food Groups"

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