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Comment Jock R. Anderson

This meeting has been fascinating for me, bringing together as it has many aspects of risk management that I have struggled with over the decades.¹ It has been long since I ventured into the field of staple grain price volatility per se, so the opportunity to react to this new chapter is welcome indeed.²

I have, longer than most because of my advantage of seeing him at work (and play) as an undergraduate, long been a great admirer of Brian Wright's work, and this occasion does not disappoint. This is an elegant, albeit rather mathematical piece, that serves a most useful purpose; to wit, substantiating the relevance of the standard model of storage roles in commodity markets.

Brian (Wright 2011, 37) speaks of "the remarkable work of Gustafson (1958)"; I think we should also acknowledge the remarkable work of Brian Davern Wright, who has taken the Gustafson conceptualization of storage and its economics to enviable heights. In the present and related work, Brian has been perspicacious in teaming up with the Chilean fraternity for this intriguing piece.

As best I can tell the mathematics is cogent and correct, albeit thankfully sparse; I leave it to others more able to judge to pronounce on this aspect. The approach is commendable; construct a parsimonious model that cap-

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1. My modest efforts have included Anderson, Dillon, and Hardaker (1977), Hardaker, Huirne, and Anderson (1997), and Scandizzo, Hazell, and Anderson (1984) on dealing with agricultural risk management in general, and on unpredictable food price variability (volatility) more specifically in Anderson and Scandizzo (1984), and Anderson and Roumasset (1996).

2. For example, Quiggin and Anderson (1979, 1981), seemingly never cited by Brian Wright, perhaps because we rather dodged storage aspects per se.

tures the key elements of commodity storage decision making, manipulate it instructively, and produce model outcomes that reflect recent but controversial results about the nature of prices in important markets.

The use of rhyming slang in the titular “bubble trouble?” is ingeniously entertaining, although perhaps insufficiently pointed? Perhaps “bubble fuddle!” might more overtly address the misconceptions of those who have flirted with the fragile surface tension of these metaphorical temporary phenomena.

The standard model of storage economics, so insightfully explicated by Williams and Wright (1991), is thus elevated in relevance by this newest contribution of these dynamic programmers. As Wright (2011) observes, there is still much to be learned about the functioning of commodity markets, but this piece will help at the margins to guide those bent on their better understanding, and in this way hopefully better underpinning policy making in this domain. In Brian’s case, this may mean he will resort more (a) to his own “atavistic tendency to pillory” (Wright 2011, 33) in exposing those who see speculative bubbles or “irrational exuberance” in price time-series data amenable to more conventional econometric interpretation, as well perhaps (b) to fostering better evidence-based policy in risky markets for food staples (e.g., World Bank [2012]), which seems remarkably aligned to Wright (2012).

To close, the authors have developed a simple and transparent model that yields informative insights to the stochastic characteristics of markets with storage. They have delivered the work in a neat and tidy (if nearly perfect) manner and we can thus be thankful for their job well done.

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