

Abstract

This project focuses on the so-called “financialization” of commodity contracts. The phenomenon seems to be responsible for the sharp increase in agricultural commodity prices in 2008 and 2011 and, as a consequence, for adverse welfare effects on low-income traders. This project aims to develop an early warning indicator for bubbles in agricultural commodity prices and a virtual laboratory that is freely available

via a website. The key steps in achieving these results are an extensive data analysis of the observed statistical characteristics of the nearby futures prices, the development of a suitable time continuous agent-based model to mimic the nearby price of commodities and model parameter estimations. The analysis of the time series of estimated model parameter enables us to develop early warning indicators for bubbles.