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Manipulation in Agricultural Commodities Futures Market: Application of Benford's Law

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Due to manipulation suspicion, farmers have less confidence in the agricultural commodity futures market. For example, the sharp increase in the 1989 July soybean futures price was due to market manipulation by Ferruzzi Finanzia S.P.A., a major buyer of soybeans (Knight, 1989). Data manipulation is generally difficult to detect; even auditing financial records with sophisticated methods often misses it. Using Benford's Law, Amiram et al. (2015) detected manipulation in Fairfield Sentry Fund investments managed by Bernie Madoff. This study applied a modified Benford's Law to soybean futures trading data, and preliminary results confirmed the Ferruzzi effect in 1989.

References

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