Standard Research Corporation

Standard Research Corporation is an economic and investment research firm in Nashville, TN. The company provides research to a number of clients, most of whom work as investment advisors for large financial institutions, and would otherwise never be aware of the investment opportunities exposed by Standard Research Corp. The firm uses basic microeconomic analysis to study the effects of government policies and other regulatory measures on industries around the world, and then dials into specific markets within those industries to understand and predict how companies will be affected by government intervention. In the words of Tom Landstreet, CEO of Standard Research Corp and Tell-Tale Capital Corp, government is the 800lb gorilla defining incentives in the economy, and Standard Research Corp helps institutional investors make money off of government intervention. The strategy behind the company is to research policies and disruptive trends, study their incentive effects and the opportunities and bubbles created from such disruptions, and predict what markets these opportunities and bubbles will affect most and when they are going to surface.

I assisted in researching a number of the different themes on which Standard Research is focusing, including the transition towards bundled payments in various healthcare practices, the outlook for beef prices, and the recent Argentine and Peruvian regime shifts that will open up the doors for investment. I have always been interested in microeconomic analysis, but up until this internship, my economics education and research has primarily been theoretical, as most all economic studies and schools of thought are. Economics is inherently theoretical. Empirical economists use factual data to analyze aspects of an economy, but most economists do so in order to test economic theories and influence policy decisions. At the ground level, meaning how specific companies and economic participants themselves respond to the incentive effects of policy decisions, and looking into the investment opportunities created from predicting the implications of policy decisions, there is very
little research done. Mr. Landstreet informed me early on of this void, and how his company attempts to fill it.

One example of a disruptive policy that Standard Research got a hold of very early on is the ethanol mandate, which first came into play in 2005 under the Energy Policy Act and was revamped under the Energy Independence and Security Act of 2007, which provided a target of 36 billion gallons of biomass-based diesel fuel to be used in the US by 2022, up from 4.7 billion gallons in 2007. Using microeconomic analysis, Mr. Landstreet understood that the demand and price for corn, the US biofuel of choice, would skyrocket, causing farmers around the country to shift from soy, wheat, livestock and other products to planting corn. And it did, at unprecedented rates. Not only did the mandate drive the price of corn 400% above its 70-year average price, it also distorted the agricultural sector and caused prices of products that use corn as an input - which is just about every food item nowadays - to increase, which reduced the purchasing power of consumers around the world (look up the Tortilla crisis, for instance).

My contribution to this research consisted of continuing with one of the themes that Standard Research is paying special attention to: the price of beef. Once the price of corn soared after 2007, ranchers were faced with rising input costs and began cutting back the size of their cattle herds. This continued until September 2013, when the EPA announced a reduction in the ethanol mandate. Over the span of a couple years, this dramatically reduced the demand for corn, and meant corn farmers could no longer count on $8/bushel corn prices. The price of corn soon dropped to around $4/bushel and has since fallen to below $3.50, igniting a herd expansion that began in the early spring of 2015.

One key indicator of a herd expansion is a low heifer slaughter rate. When heifers are held back from slaughter, they produce more cattle, which results in more beef entering the market about 18 months down the road. The graph below shows that the heifer slaughter rate for the past year and a half has been far lower (7%) than the 30-year average, which signifies a herd expansion of unprecedented
proportion. This research ultimately ended up in a Forbes article, which was pretty exciting. The graph below that I drew up can better illustrate this relationship and the significance of this finding.

I am not much of a finance wiz, nor do I have much interest in it, but this internship provided me with a foundational set of financial skills with which I can confidently invest in the future. In addition to this research, Mr. Landstreet and I would often sit in his office and discuss government policies and inefficiencies, and how policies could be better devised so as to not be so disruptive - something that I plan to continue studying after Sewanee. My passion for environmental sustainability, and how investment can drive a transition towards a more sustainable world, was also challenged on numerous occasions, which has only strengthened my ability to pursue and defend these interests. I really could not have asked for a better internship experience.