

Market Transparency: The U.S. Experience

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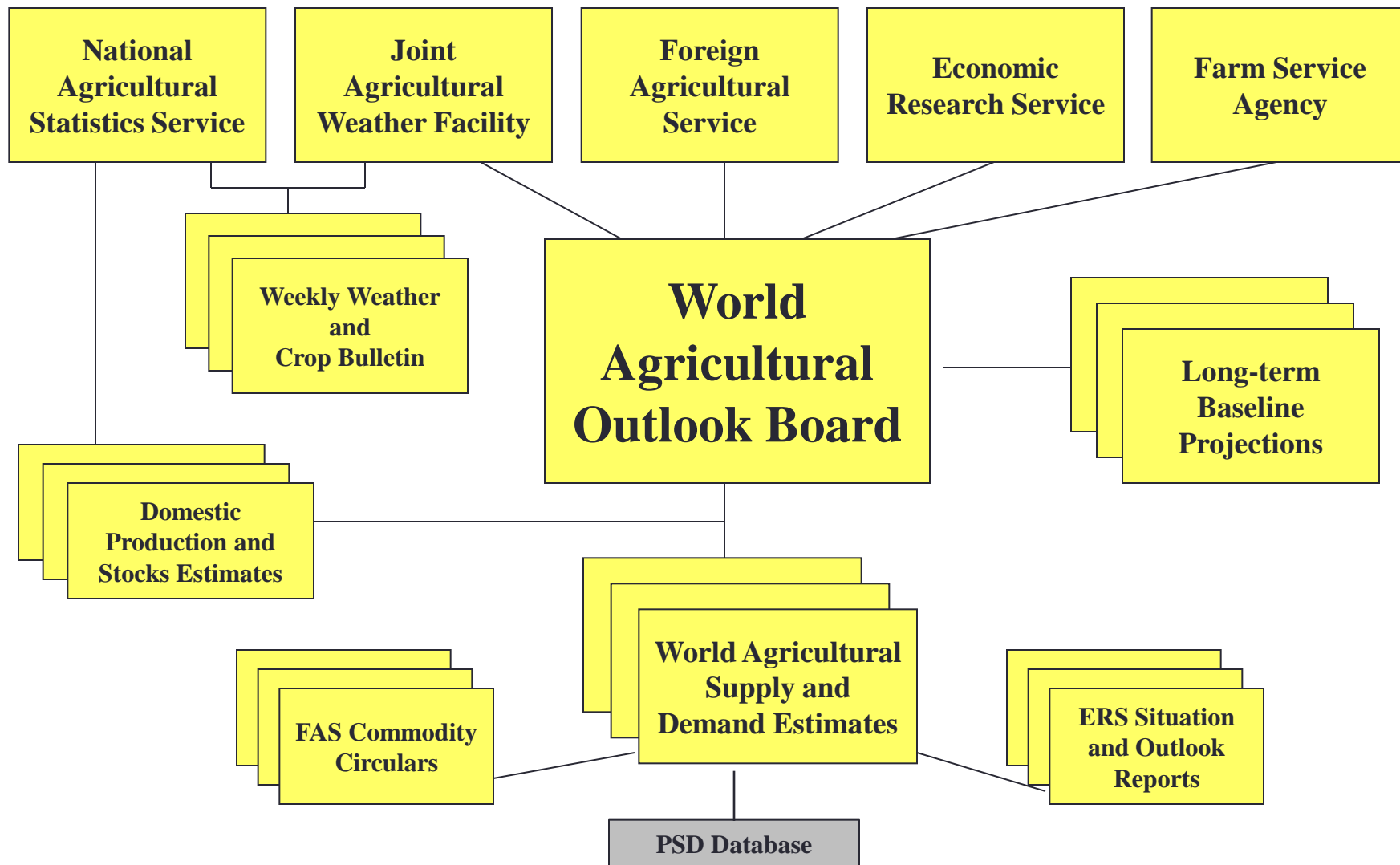
Outline

- Historical overview
- USDA's economic information system
- Challenges

Brief Historical Overview

- Data collecting/statistical reporting—primary function of USDA since inception
 - *Trading Places* c.1904: creation of Crop Reporting Boards
- Great Grain Robbery of 1972—need for single clearinghouse for economic forecasts
 - Sep 1973: World Agricultural Supply and Demand Estimates—domestic only
 - 1977: creation of World Agricultural Outlook Board
 - 1980: world balance sheets added
 - 1984: published simultaneously with Crop Production

USDA's Economic Information System



National Agricultural Statistics Service

- Planting Intentions
- Crop Condition Assessment
- Production and Stocks Estimates
- Season Average Prices
- Inventory Numbers
- Marketing and Slaughter Data

Foreign Agricultural Service

- Foreign Market Information
- Global Supply / Demand
- Trade Flows: Short-run
- Export Sales
- Import Data

Economic Research Service

- Objective Economic Analysis
- Survey and Evaluation of Current Information
- Trade Economics: Medium- and Long-run
- Commodity Food and Industrial Use Estimates
- Foreign Country Macroeconomic Assessments
 - Exchange Rates
 - Price Relationships
 - Economic Growth

Agricultural Marketing Service

- Domestic Market Information
- Wholesale Prices
- Warehouse Inventories
- Shipments Data
- Grain Inspections
- Border Crossings

Farm Service Agency

- U.S. Farm Program Participation
- Program Decisions
- Budget Liaison
- Program Support
- Mandatory Reports

World Agricultural Outlook Board

- **Chairs Interagency Commodity Estimates Committees**
 - Reviews and Approves Commodity Supply and Demand Estimates
 - Reviews and Approves Agricultural Projections
- **Clears USDA Outlook Reports**
 - Objectivity
 - Reliability
 - Timeliness
- **Performs Primary Weather Analyses**
 - Joint Agricultural Weather Facility
 - Chief Meteorologist - World Meteorological Organization Liaison

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Other information sources

- Department of Commerce
 - Export/import data
 - National income accounts
- Energy Information Administration
 - Energy prices/forecasts
 - Biofuel production/use data
- Bureau of Labor Statistics
 - Consumer prices
 - Employment
- Commodity Futures Trading Commission
 - Commitments of traders
- Private market data (CME, OPIS, ...)

The Balance Sheet

- USDA's supply and use elements reflect a full balance sheet for each commodity and country.
- Total supply reflects:
 - Beginning stocks
 - Prospective production
 - Imports
- Total use includes:
 - Domestic use
 - Exports
 - Ending stocks
 - Residual or unaccounted
- Total supply must equal total use

The Estimation Process for the United States Balance Sheets

- Each month, the ICEC's meet to estimate balance sheet items.
- The process begins with economic models, tempered by policy changes both in the United States and in other countries.
- Expert judgment provides a reality check on economic models and has the final say in determining USDA's estimates.
- Analytic results are derived, in many cases, using the latest data available from:
 - NASS (area, production, prices, and stocks);
 - FAS (export sales; foreign production)
 - Other USDA agencies
 - Other Federal agencies (EIA, Commerce, BLS)

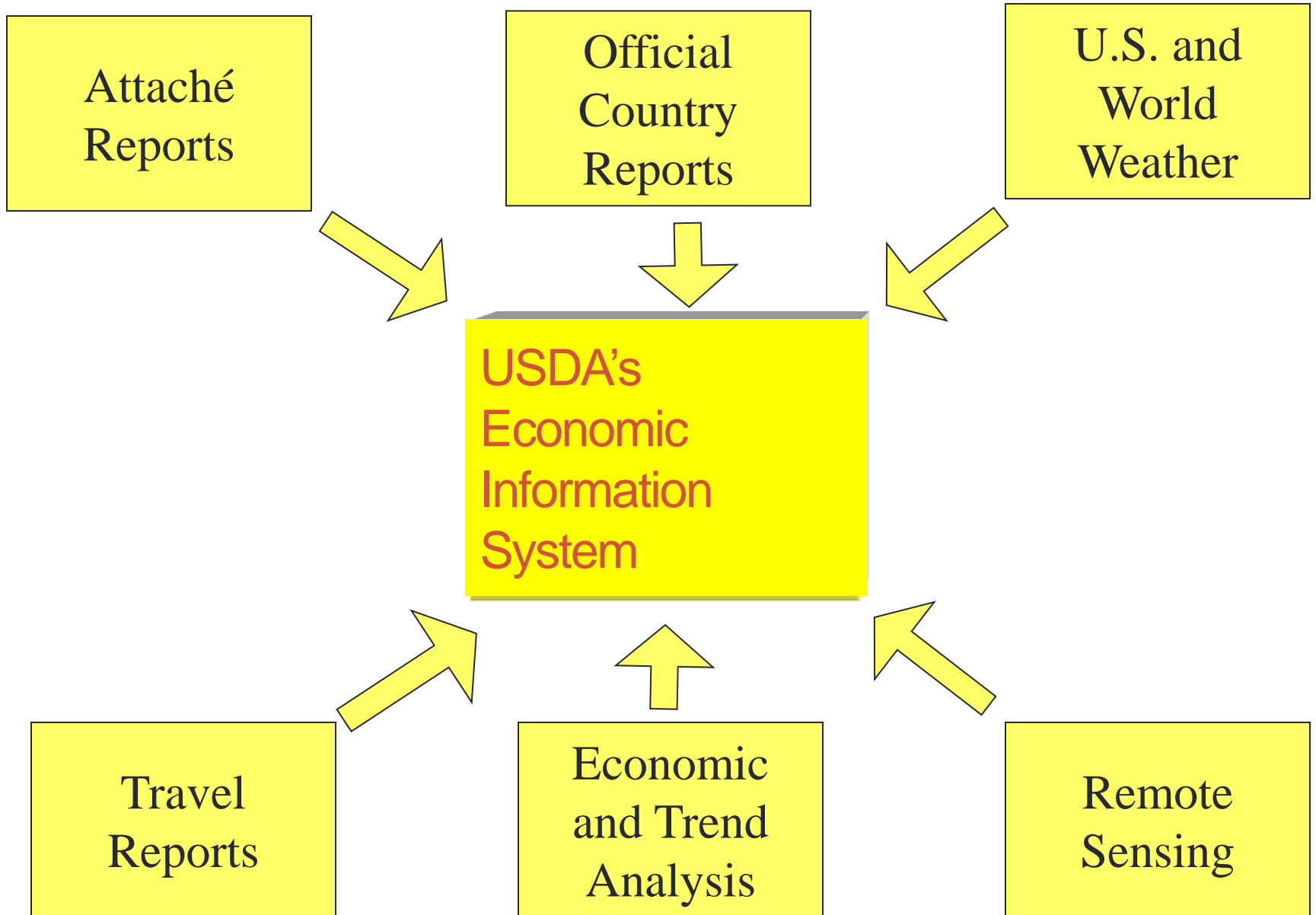
U.S. Crop Production Forecasts vs. Foreign Crop Production Estimates

- **U.S. Crops**

- U.S. production forecasts are based on monthly surveys of farmers and crops

- **Foreign Crops**

- Foreign crop production estimates involve greater judgment; most are not survey-based.
- Production estimates augmented with remote sensing



Forecast evaluation

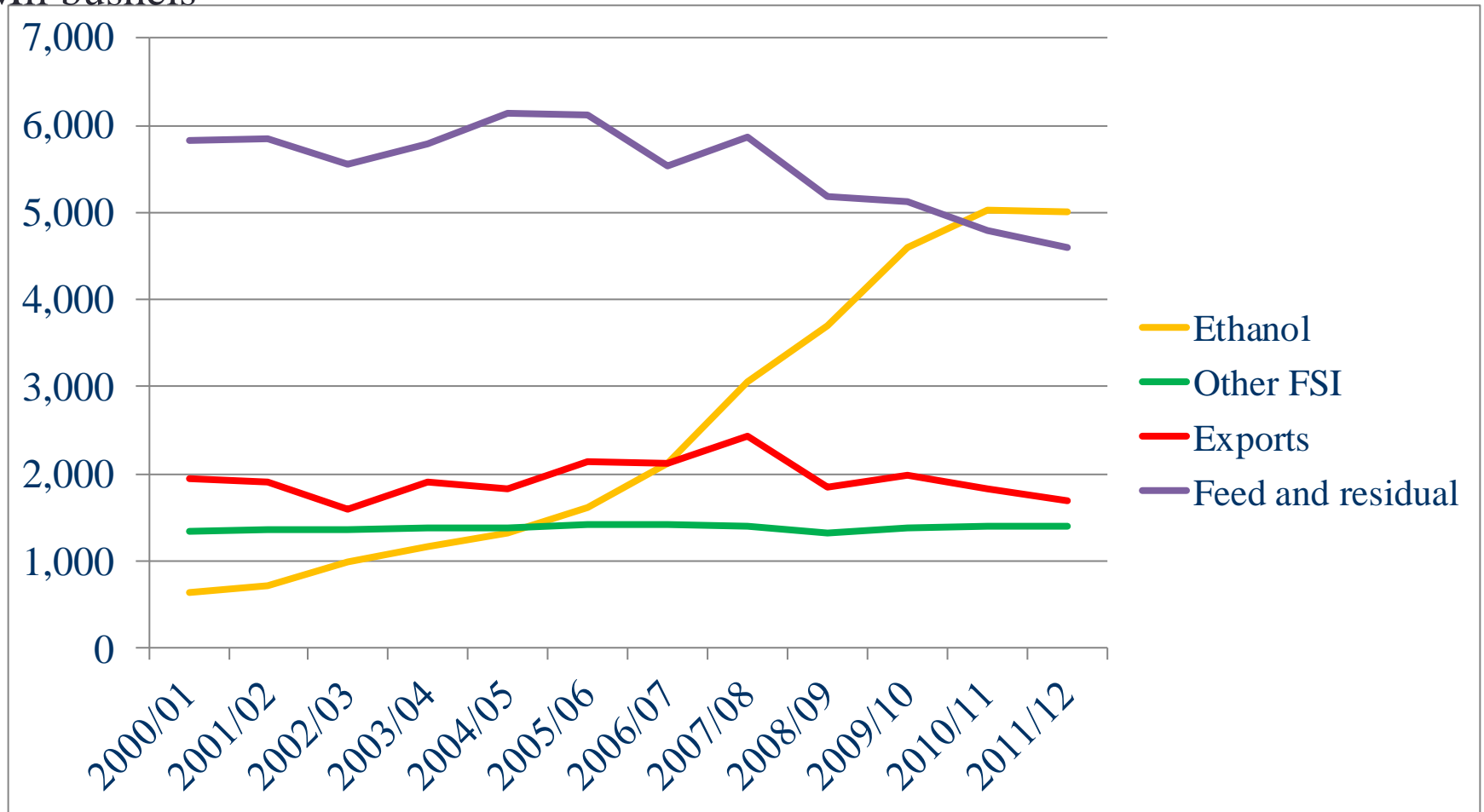
- Review performance periodically for:
 - Accuracy
 - Bias
 - Repetitive errors
- Correct bias and systematic errors.
- Publish evaluations on a regular basis.

Challenges

- Structural changes in agriculture
- Budget constraints
- Security

Structural changes: corn use

Mil bushels

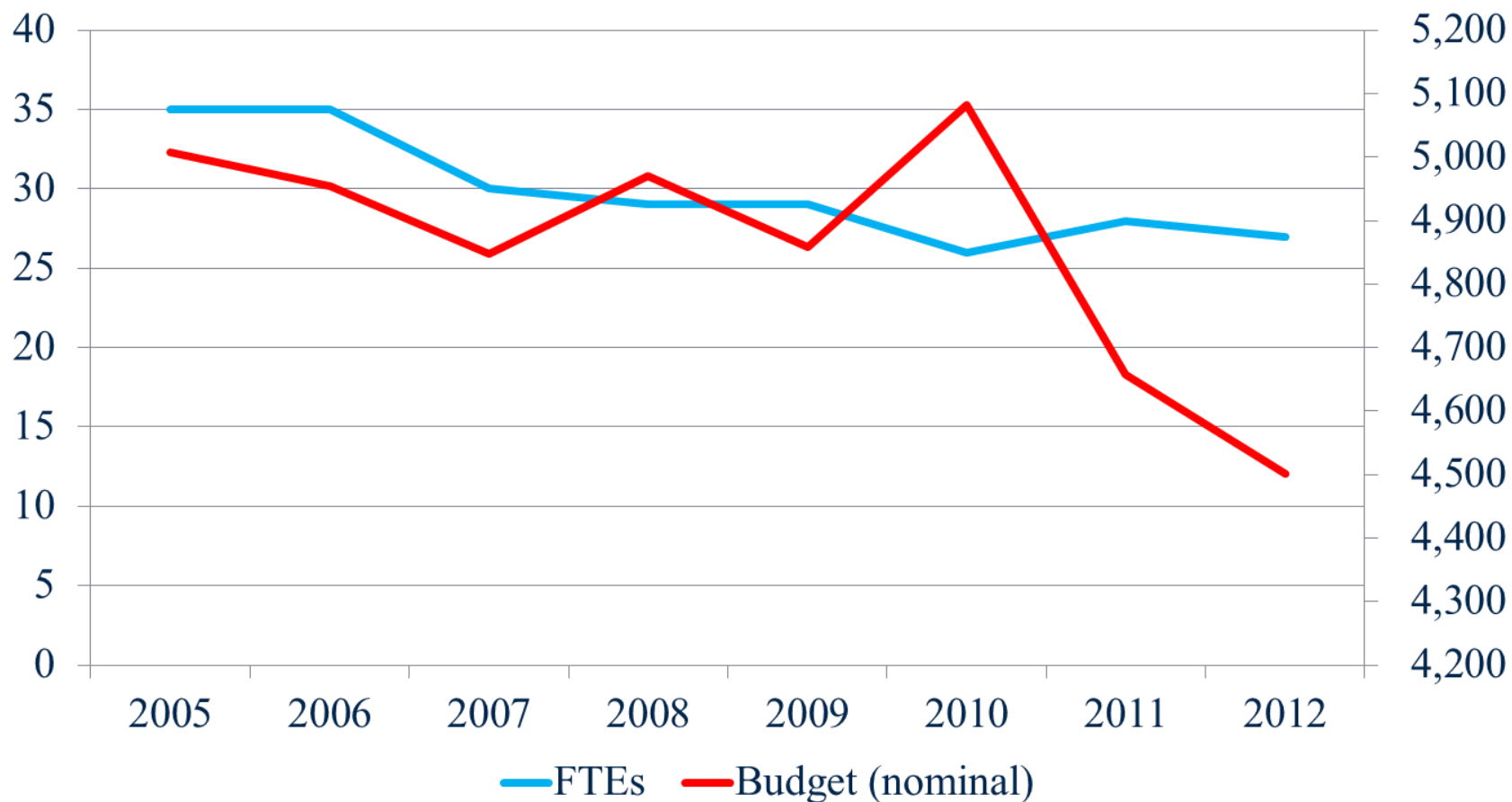


Challenges: declining resources

World Agricultural Outlook Board

FTEs

\$ thous



Challenges: security

- Lockup procedures outdated?
- Move to 24/7 trading => impact on release times
- Electronic trading
- Access of news media in lockup

