

# Market Transparency: The U.S. Experience

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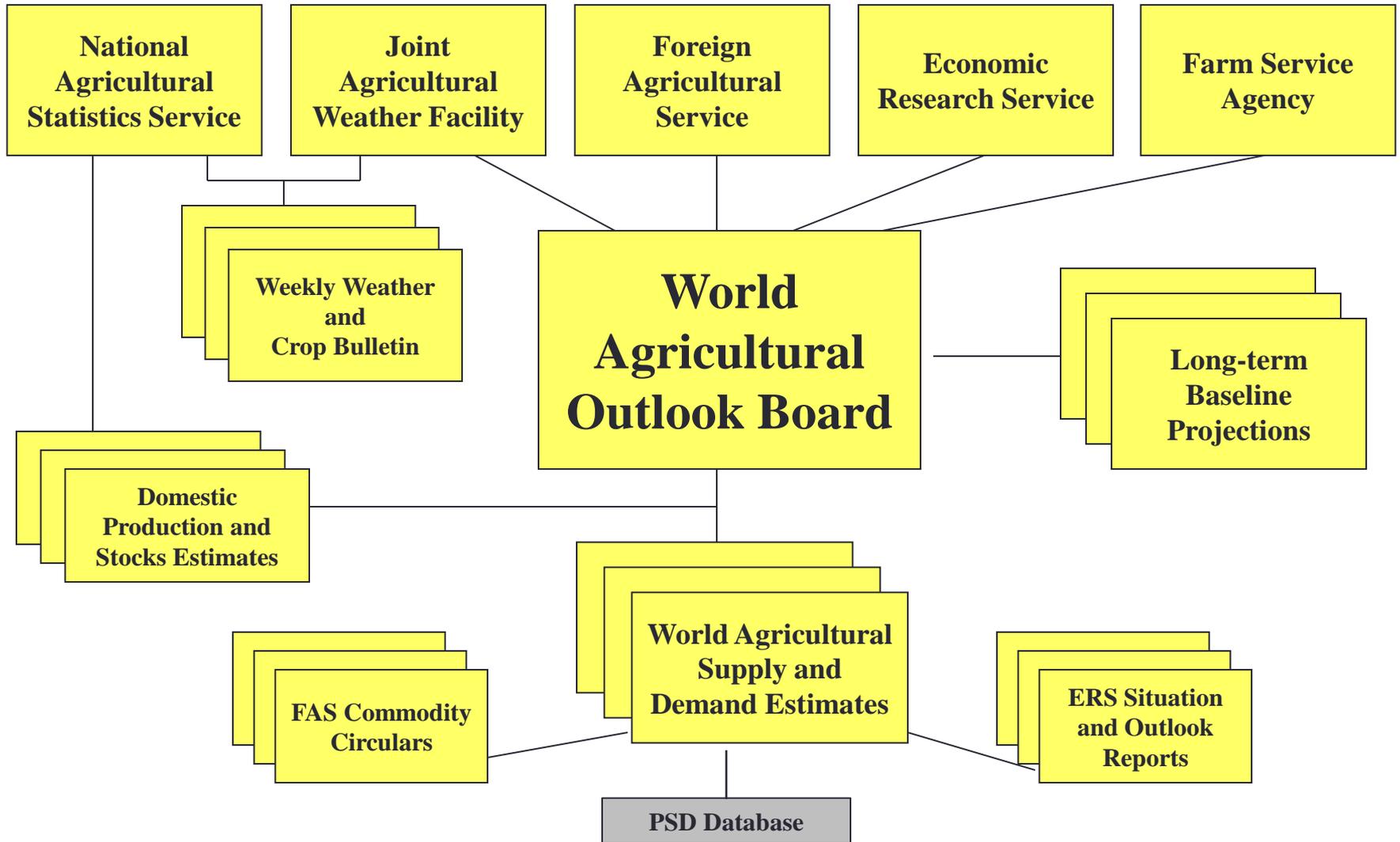
# Outline

- 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

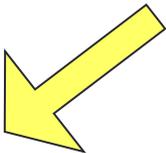
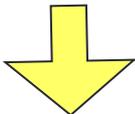
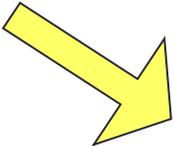
- **Foreign Crops**

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

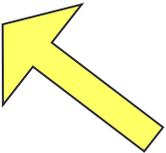
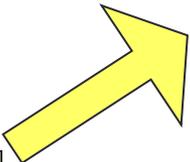
Attaché  
Reports

Official  
Country  
Reports

U.S. and  
World  
Weather



USDA's  
Economic  
Information  
System



Travel  
Reports

Economic  
and Trend  
Analysis

Remote  
Sensing

# Forecast evaluation

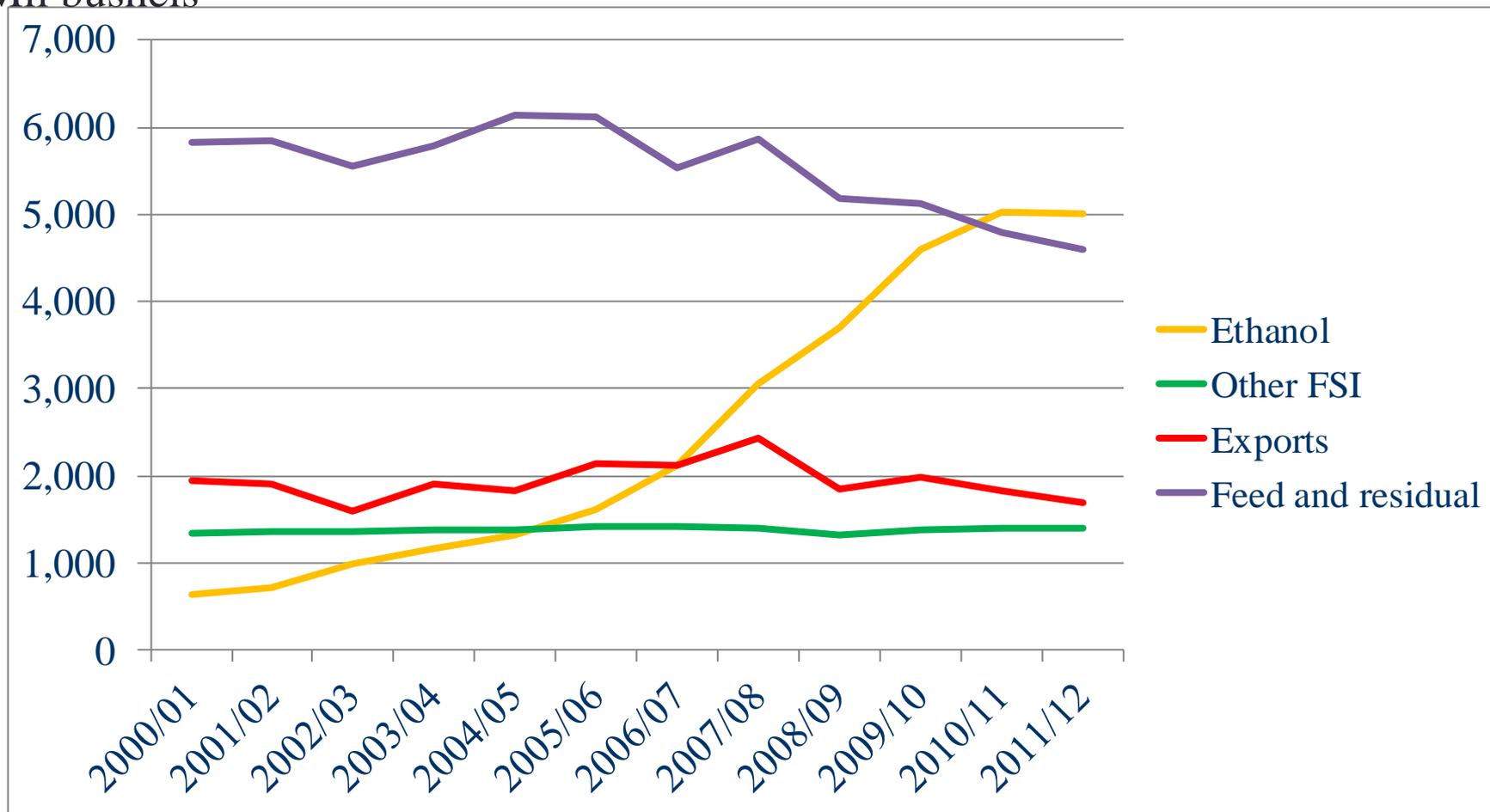
- Review performance periodically for:
  - Accuracy
  - Bias
  - Repetitive errors
- Correct bias and systematic errors.
- Publish evaluations on a regular basis.

# Challenges

- Structural changes in agriculture
- Budget constraints
- Security

# Structural changes: corn use

Mil bushels

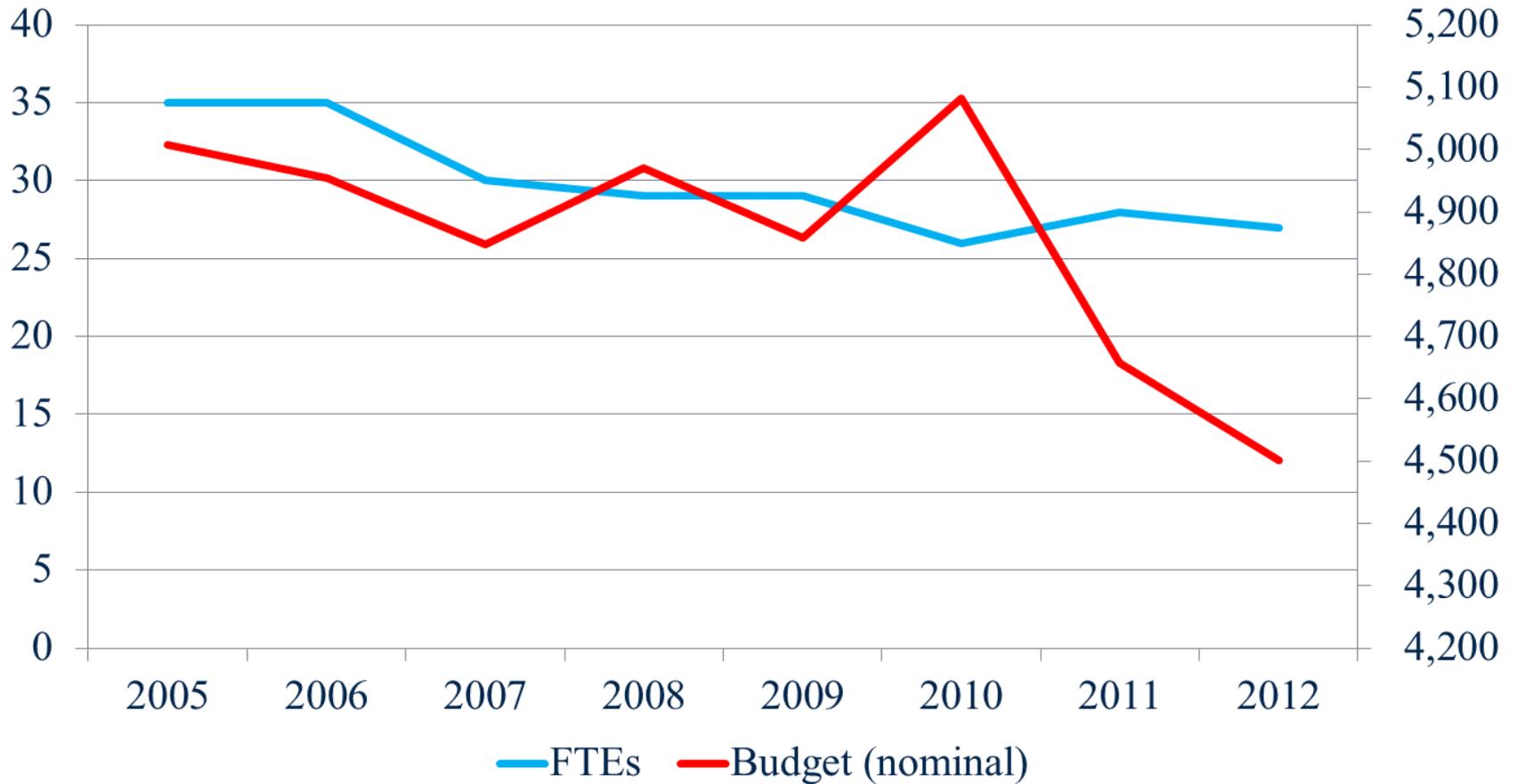


# Challenges: declining resources

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

