
USDA's Commodity Supply & Demand Forecasting Program

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Outline

Historical overview

USDA's economic information system

Challenges

Brief Historical Overview

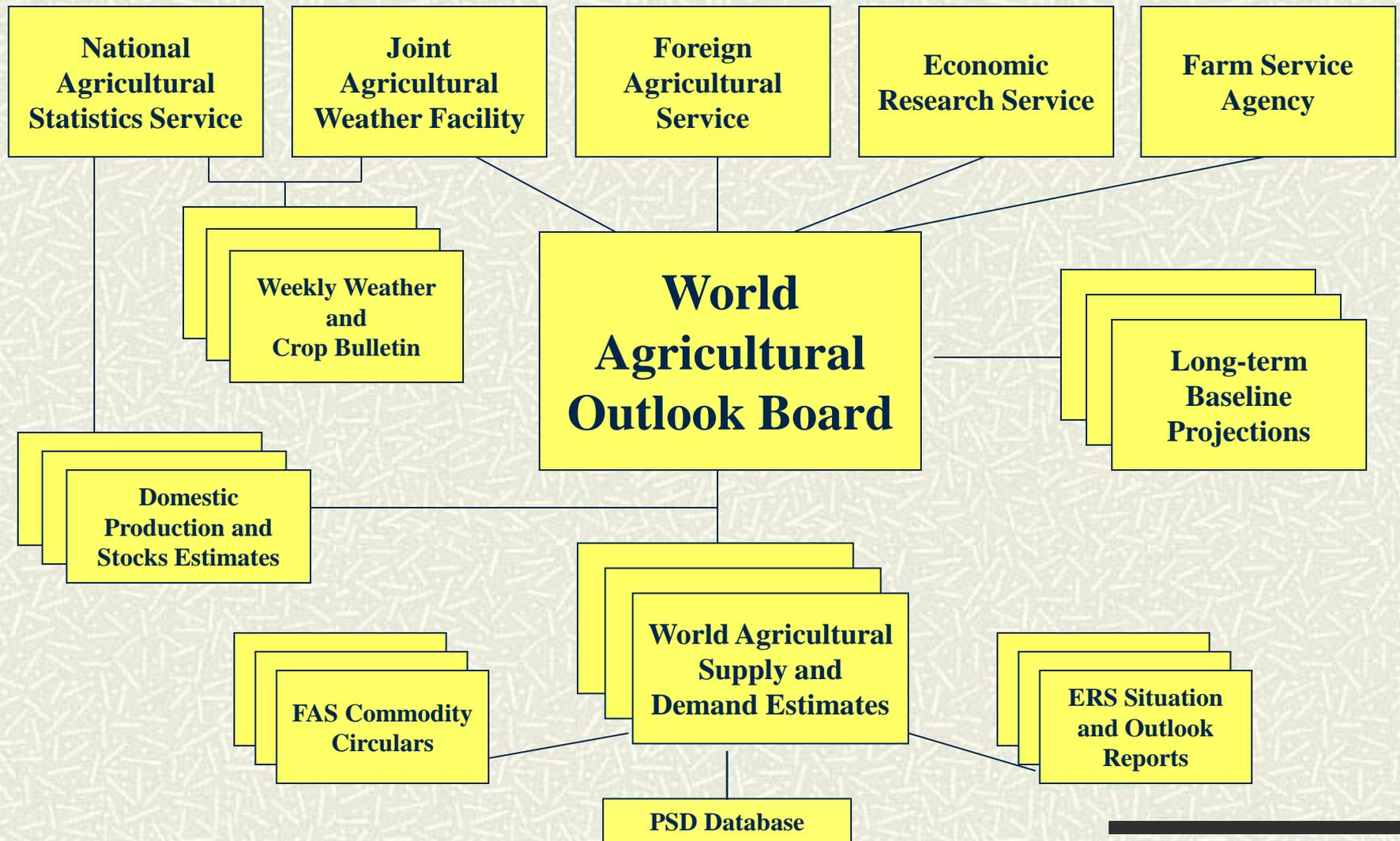
Data collecting/statistical reporting—primary function of USDA since inception

- *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



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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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.

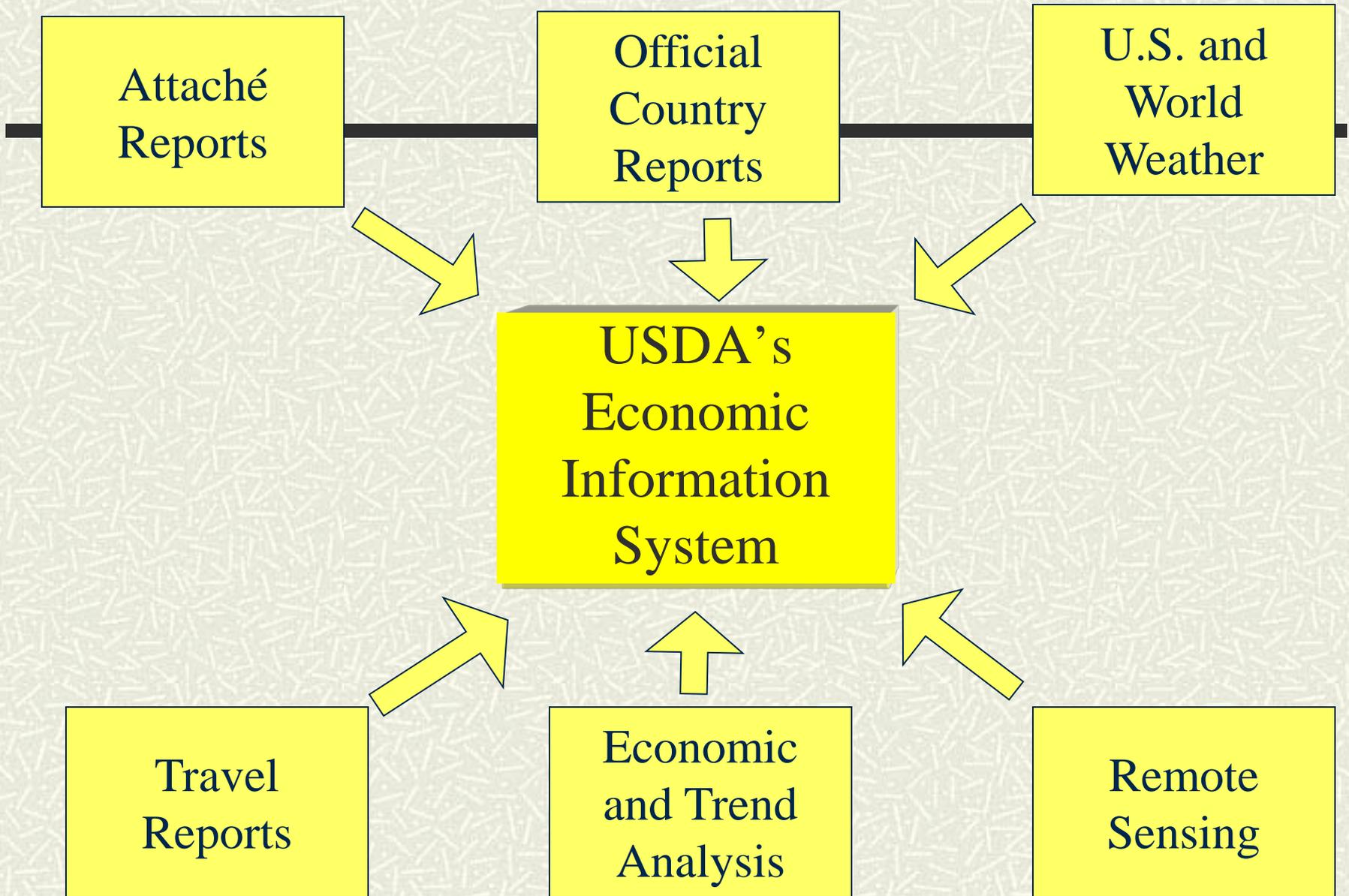
Foreign Crop Production Estimates

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
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Forecast evaluation

Review performance periodically for:

- Accuracy
- Bias
- Repetitive errors

Correct bias and systematic errors.

Publish evaluations on a regular basis.

Challenges

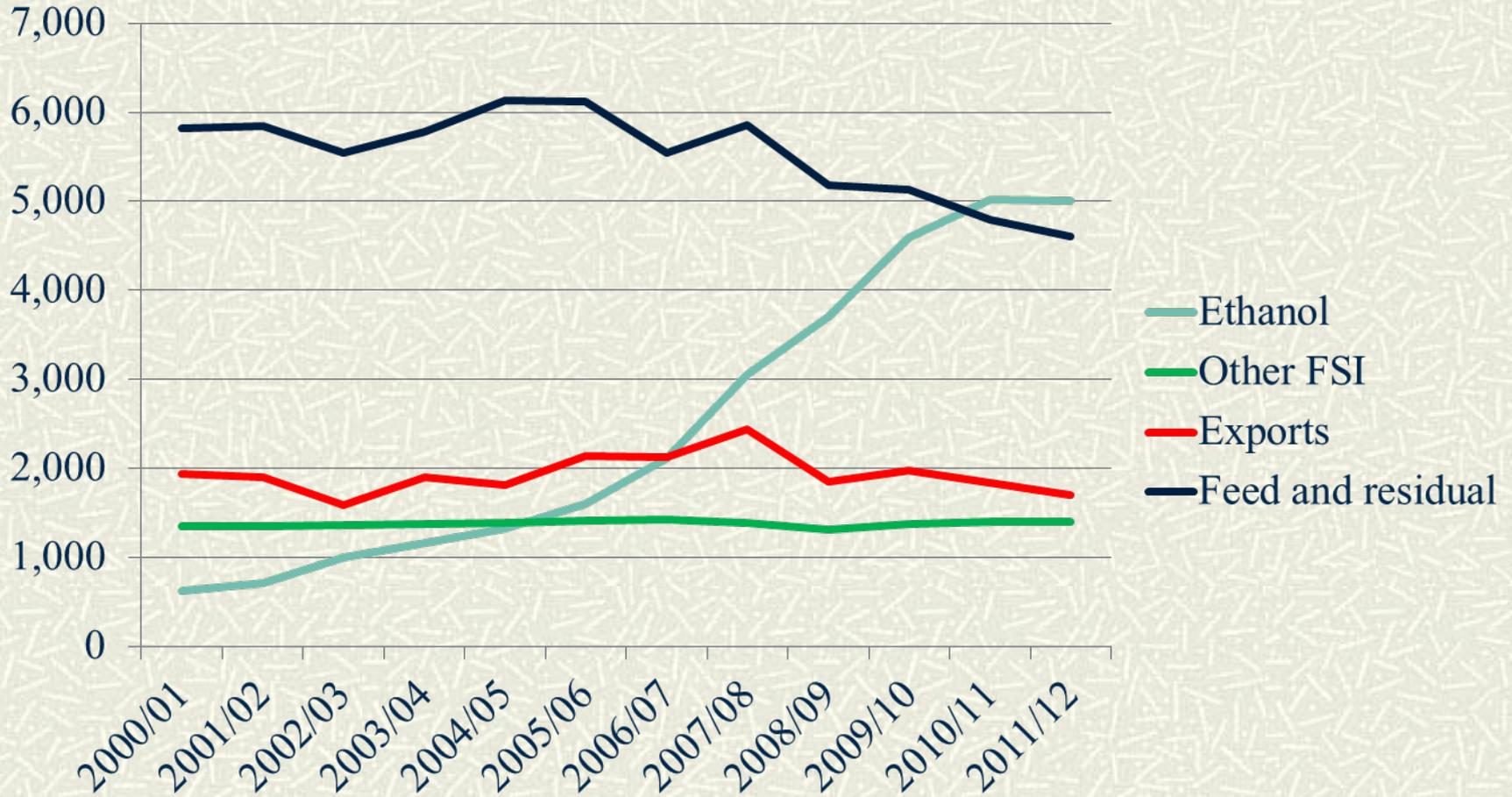
Structural changes in agriculture

Budget constraints

Security

Structural changes: corn use

Mil bushels



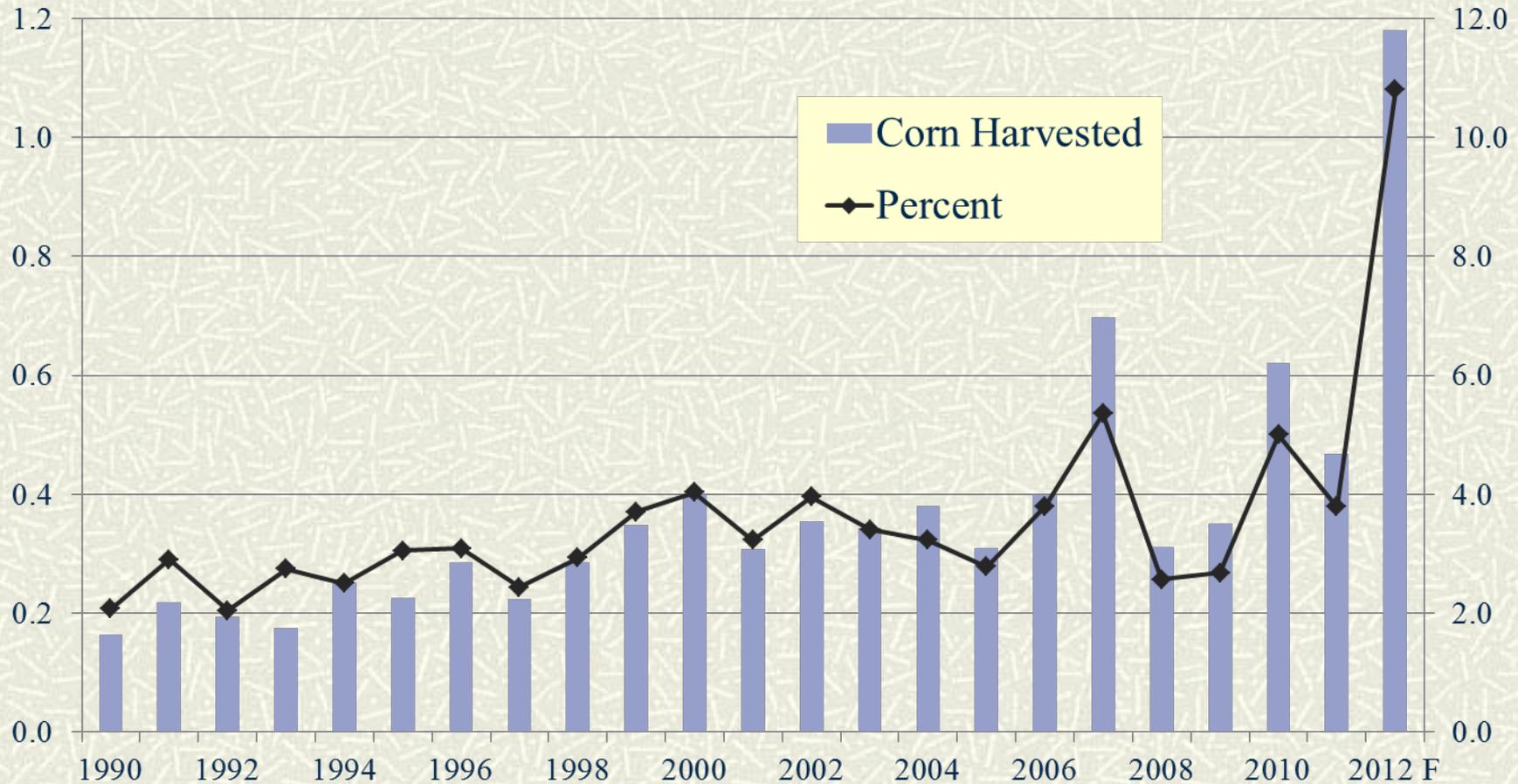
Corn feed and residual

Variable	Source	% of total use 2005/06	% of total use 2010/11
Beginning stocks	NASS		
+ Production	NASS		
+ Imports	Commerce		
- Exports	Commerce	18.9%	14.1%
- Food use (HFCS, starch, etc)	Trade estimates	12.4%	10.6%
- Ethanol	Derived from EIA data	12.4%	38.5%
- Seed use	Derived from NASS plantings	0.2%	0.2%
- Ending stocks	NASS		
= Feed and residual		42.9%	34.8%

U.S. corn harvested before September 1

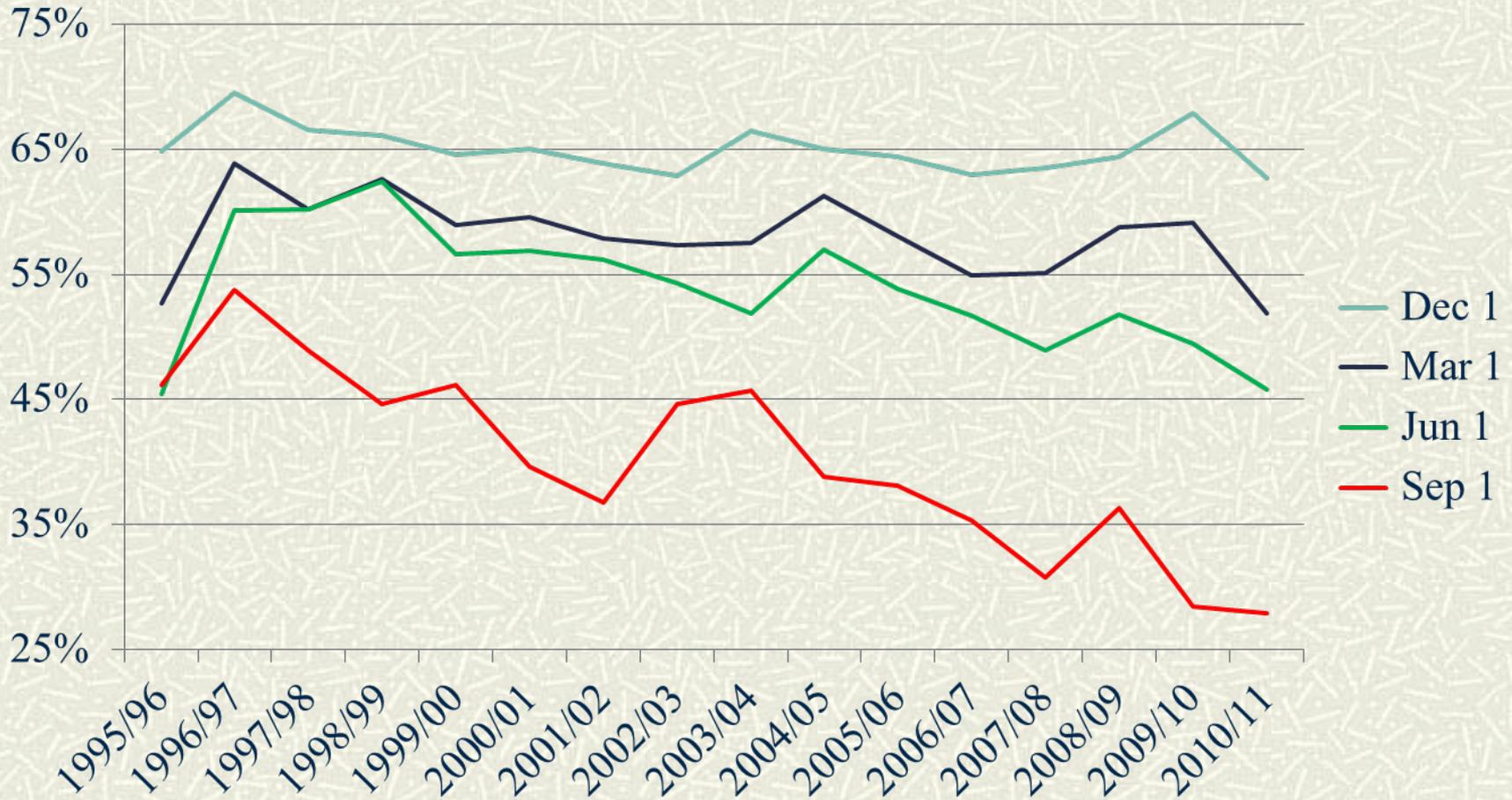
Billion bushels

Percent



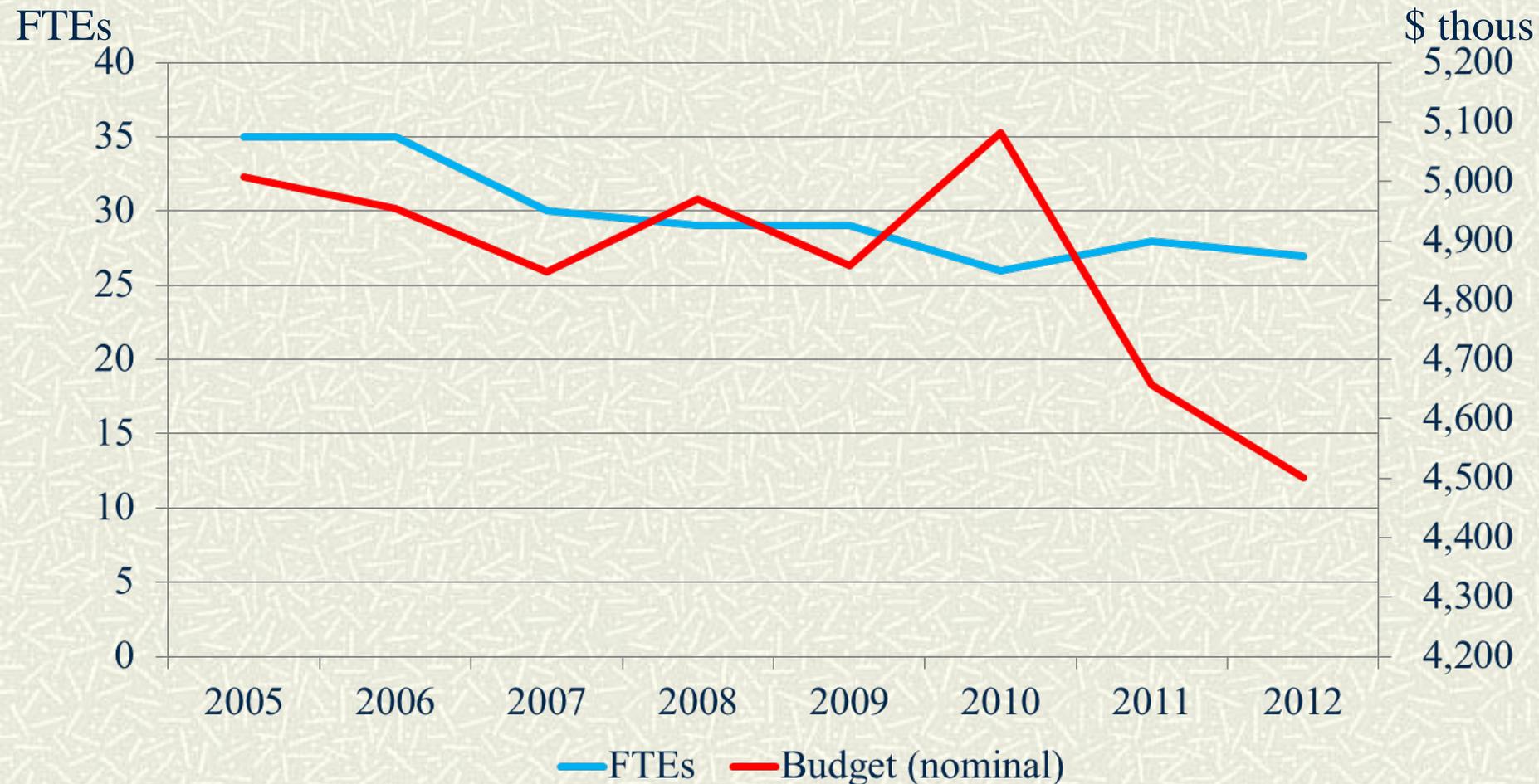
Note: Based on forecast production from the September, 2012, *Crop Production* report and reported harvest progress from the weekly *Crop Progress* report and State-level crop progress reports.

Percent of corn stocks held on farm



Challenges: declining resources

World Agricultural Outlook Board



Challenges: security

Lockup procedures
outdated?

Move to 24/7 trading =>
impact on release times

Electronic trading

Access of news media in
lockup

