

2012 Chicago Data Users Meeting
National Agricultural Statistics Service, United States Department of Agriculture (USDA)
October 22, 2012

Introductions and Opening Remarks from agency representatives within USDA

Agricultural Marketing Service (AMS)

Economic Research Service (ERS)

National Agricultural Statistics Service (NASS)

World Agricultural Outlook Board (WAOB)

Census Bureau (Census), Department of Commerce

Foreign Agricultural Service (FAS), submitted written remarks only, no staff present

Questions & Answers

Attendee: The online database Quick Stats version 1.0 is going away. I commend NASS for upgrading Quick Stats 2.0 and turning off version 1.0. Quick Stats 2.0 is a better product than 2 years ago.

NASS: Thank you.

Attendee: The October crop report says ninety percent of corn objective yield survey samples are harvested. What is left?

NASS: The corn objective samples were completely harvested this past month in Kansas, Minnesota, and South Dakota. Ohio and Wisconsin have more than 25 of their samples left to harvest. There are less than 25 samples left in the remaining states. For the soybean objective yield, North and South Dakota are finished harvesting samples. There are less than 25 samples left to be harvested in Indiana, Iowa, and Nebraska. The remaining states have 25 or more of their samples remaining to be harvested.

Attendee: Given the volatility over the years in residual, how negative is your residual number?

WAOB: It isn't negative. We do not publish a separate feed use component, our balance sheet shows feed and residual combined. I know much attention is paid to the feed and residual number and this is as it should be. I also agree that there is much variation in the number. But, if you look at the record, that volatility has been there a long time. This has been exacerbated by larger-sized crops, which tend to have a larger feed and residual. It has been a very difficult pattern to explain for years.

Attendee: Back in 2010, we asked if you were considering an August 1 beginning of the crop marketing year. The answer in 2010 was it is set by statute on September 1. Having really late or really early harvests is more than a one-time issue. How do we change the crop year to better represent the southern production and assign grain stocks to the correct crop marketing year?

NASS: The crop marketing year is specified in permanent legislation of the 1938 Farm Bill. Without a current Farm Bill, things go back to the permanent legislation. To change the crop marketing year, you would have to change the current Farm Bill. If you change the crop marketing year for corn, NASS would have to have a stand-alone grain stocks survey for August. Given the likelihood of decreased budgets, it is very problematic to add surveys. The changes we made to our data collection in 2010, where we collected off-farm new crop and old crop stocks together, is paying dividends. Analysts are making telephone calls back to respondents when old crop stocks seem too high. People refer to

the crop year definition changing in the mid-1980s, but it didn't change. What was done back then was NASS conducted an October 1 grain stocks survey and we just moved the survey to September. There was no need for increased funding.

Attendee: With the timing of 22-hour trading by the CME Group, is it still a good idea to have reporters in the Lockup situation? Given latency of the USDA website, most people get the data first from Reuters or Bloomberg news services. We know Reuters distributes a private data source sooner to certain people. We don't know if they do that with Lockup stuff. Now when seconds count, does it still make sense to have reporters in Lockup? Thankfully before, if reports were released early, the market wasn't open. But now, data is coming out early. Does it still make sense to have reporters in Lockup?

NASS: We believe reporters in Lockup do provide a service to get the information out as quickly as possible. We need to make sure everybody gets the data at the same time. We are always monitoring security and procedures. We'll continue to do that to ensure nobody gets information out before the specified time. The media does bring a broader distribution of our information. People say to us to "just give me what I want." The problem is we don't know what you want. In addition, everybody may want something different. In an ideal world, we envision a time when Quick Stats could be used to give you your own query and you could get the exact info you want immediately. It comes down to what funding is available and the allocation of scarce resources.

Attendee: I know you have different release procedures than for embargoed reports. But given the strange market reaction on the last World Agricultural Supply and Demand Estimates (WASDE) report, there was a lot of market chatter with the market taking off 12 seconds before the report came out. The fact the reporters are inside Lockup, causes a lot of people in the market to question if the data is released early.

NASS: We specifically monitor all press staff activity during Lockup.

Attendee: There seems to be a lot of confusion of how this works for the press inside Lockup. I've been in Lockup. There is no chance of any communication before somebody at NASS flips the switch. Nothing goes early. From the point the switch is flipped on, our data goes to our private database. There is the chance that the high-speed trading firms can use our private database to do faster trades. Nobody communicates any earlier than 7:30 a.m. I looked at the tick trades from the last report. The first trade took place one second after 7:30 a.m. Nobody bought a contract before the release time.

Attendee: I think the security measures are more than adequate and provide an absolute, complete firewall. And, I have full confidence there is no data being released early. I do think we have to address, from a standpoint of the media, traders, and USDA, that there is no incompatibility of letting reporters have access early in Lockup. They even have their own restroom and electronic monitoring of all devices. There is enough built in security measures and I have complete confidence. I know about the October report, but it is clear with high-frequency trading, that you can put orders in front of the report and these can execute very quickly now. I think this falls outside the purview of USDA on regulators and traders to monitor or control this. This is not a first time thing. Natural gas has had this happen too. Fundamental traders will not trade these reports in the future if it isn't addressed. The media have a place in this process to make sure the process is believed. USDA has to work on the latency of getting the data out and fix this so USDA doesn't

have to rely on press agencies. Budgetary priorities are difficult, but we would prefer to access the data directly rather than through the press.

Attendee: Was there any behind-the-scenes wrangling on selecting a noon release instead of 11:00 a.m.? We will only have three hours to trade after the report comes out and will be twiddling thumbs for several hours before the report. A 10:00 a.m. release would give us four hours to trade. There is now some talk of CME Group paring back on 22-hour trading. How did you arrive at noon and will this change in the future?

WAOB: After the last Lockup, CME Group informed us that between 7:29 a.m. and 7:30 a.m. there was trading. CME asked if it was possible that we released our data early. I asked our computer specialist to show me the log that shows exactly when the report was transmitted by us and posted on USDA's Web site. The report was transmitted one second after 7:30 a.m. It took two seconds to post. It was posted at 7:30 and three to five seconds. I am very pleased because we've been achieving a posting speed of four to seven seconds routinely. The Department has been working with us to minimize the time it takes to post our reports and accommodate your needs.

With regard to the 12:00 noon release time, I'll provide a little history. In 1994, I became Chairman of the WAOB on the same day Secretary Mike Espy announced the 8:30 a.m. release time. To assure that market-sensitive information is held securely, we chose not to produce the report the day before and release it the following morning. Therefore, we asked analysts and support staff to begin working a "night shift." No one complained then or complains now and that has nothing to do with the decision to change to 12:00 noon.

It appears that markets are rapidly moving to 24-hour trading. This raises the question of when is the appropriate release time. This required public input. NASS issued a Federal Register notice asking for comments on this issue and received 147 responses. The responses were wide and varied. Releasing our reports at the time of greatest market liquidity was determined to be a high priority. Noon emerged as a reasonable time. WAOB has not received any complaints in response to the 12:00 announcement.

NASS: The other issue to consider is equal access to the information and the west coast can now have access to the data during working hours. Will the time be changed? Probably not. NASS will take the lead in any review of the release time. That is why we went out to the data users. We sifted through those Federal Register responses and they are posted for the public to see. The 12:00 p.m. Eastern Time addresses most of the issues raised.

Attendee: On corn inventory, the last quarterly grain stocks released on September 30 was 200 million bushels under the previous WASDE. Was that a function of the usual historic imprecision or is that a systematic change in new crop versus old crop?

WAOB: It is tough to forecast ending stocks. It should be noted that any discrepancies or "errors" in the balance sheet are going to show up in that number. In absolute terms, the change you reference was big, but not big in percentage terms. And further, the early harvest complicates the issue. We have no reason to debate or doubt NASS numbers. Clearly, there will be an impact on stocks when new-crop bushels enter the market earlier than normal. In this instance, we know far more than normal bushels entered the trade early.

We did not expect a 200 million bushel discrepancy, but the numbers are what they are. We know an early harvest can impact the stocks estimate. We also know it takes about 2

years for the numbers to “wash out” in the process. We do have a model that we use as a guideline to estimate ending stocks. However, the numbers we work with have become so large that one standard error in the model represents approximately 250 million bushels. In this instance, the 200 million bushels discrepancy falls within the standard error. This is not to say we are satisfied with this result. We are not. We will continue seek an improved methodology.

NASS: The WAOB has a very difficult job. Today, they are trying to forecast the ending stocks about a year from now. I think they do a pretty good job of trying to do that. The change in procedures NASS made is to split the new-crop and old-crop corn questions in all states. Previously, we asked respondents to only give us old-crop in northern states. In the south, we have always asked respondents to split the new-crop and old-crop out because their harvest is early. But, we saw changes in corn production and started asking the northern states to split it out. It is a bookkeeping change only as we’ve always tried to split out old-crop and new-crop stocks and followed-up with respondents if stocks looked too high. However, we’ve only recently asked for stocks numbers on both questions in the northern states.

Attendee: On same topic, is there anything in the data for new crop inventories to help clarify what happened?

NASS: First, on new crop corn, we do not collect the split from the farmers for both old and new-stocks. We only ask for old-crop stocks. We ask if there were 2012 stocks included in the stocks reported. We ask them to remove it if there are. So, on the on-farm side, we do not have that value. Our purpose for asking for both old and new-crop stocks is to only get old crop stocks. We are not trying to estimate new crop stocks, we don’t have any analysis to offer on your question.

Attendee: On the soy complex, is there any discussion of bringing back soy ethyl or ethers on the balance sheet?

WAOB: Yes, there is discussion and I think we’ll be acting on that fairly soon.

Attendee: Some of the questions at the Board of Trade, potentially the 198 million bushels of corn, is there an underestimate of the previous year’s crop production, particularly since soybean stocks went higher and was revised up. I totally agree that with the surveys an extreme amount of effort to separate 2012 from 2011 crop was made. But, could a change in the size of the crop explain the difference?

NASS: For corn, we looked back at the previous year’s estimates. The data is easier to forecast and we didn’t have any indication that there was a need to change acreage or production on corn. Soybeans were a different situation and we did have some indication that soybean acreage, yield or production needed to be different.

Attendee: After old-crop and new-crop stocks, do we have an estimate of how many new-crop bushels replaced old-crop bushels?

NASS: No. We use new-crop questions to only get to old-crop bushels. Usually in early September the majority of corn is on-farm and we only ask farmers to take out new-crop from their numbers.

- Attendee:** Quick Stats version 1.0 works fabulously but version 2.0 is harder to get into. Will Quick Stats 1.0 continue?
- NASS:** No. We have Quick Stats 2.0 and Quick Stats “Lite”, which is a limited version of 2.0 with some of the same type of queries that were available in version 1.0. Version 1.0 is gone and will not be resurrected. If you need assistance in building a query, our staff will help you set one up for your needs.
- Attendee:** I heard a lot of comments after the last report when the WASDE stated 1.2 billion bushels of corn were harvested before September 1. We would have been at zero carryout. Where does this number fit in?
- WAOB:** The early harvest estimate is the product of estimated harvested acres shown in NASS crop regress reports multiplied by estimated yields. This gives us an approximation of how much new crop may have moved into various uses and possibly displaced old crop. Using this methodology, we calculated that 500 to 700 million bushels of early harvested corn was available to the market more quickly than an average year.
- Attendee:** How do you get Australia corn production? What is the procedure? Do you use the local government procedures?
- WAOB:** We use various sources including FAS attaché reports, meteorological data, satellite imagery, and media reports. We also track ABARE’s forecasts and may or may not adopt ABARE numbers depending on other indications.
- In addition, we look closely at ABARE’s forecasting track record. We compare ABARE forecasts with the end-of season “final estimates” they publish.
- As an aside, we know Australia incorporates weather forecasts into their crop forecasts which is something we do not do except in very rare instances. Our practice is to evaluate the impact of weather to date of the forecast and assume “normal weather” from the forecast date forward. We do this because inaccurate weather forecasts potentially would magnify “errors” in our crop forecast.
- Attendee:** From an international perspective, I’m sad to lose Quick Stats version 1.0. I am excited we will have trade statistics faster and FAS data. I’m concerned on FAS versus customs data. The FAS overseas offices are important to us and all of the USDA offices and data. The US compared to the rest of the world is amazing to outsiders. I just hope we don’t lose any data or offices due to budget cuts.
- Attendee:** For AMS, on mandatory pork reporting, how are you going to evaluate skinless bellies?
- AMS:** Currently we report skin-on bellies and we’ll prorate back to skinless. We’ll report what the packers provide to us. If they produce a skinless belly, then we’ll report skinless. We won’t convert.
- Attendee:** Is there anything you are going to do to provide a ratio for previous years’ on-skin data?
- AMS:** We’ll have to look at what the data looks like. If there is an easy way, we may do something, but I don’t know at this time.

Attendee: I would like your opinion, as opposed to Stats Canada and ABARE, how comfortable are you with data coming out of China? Private numbers differ greatly with official estimates, Is there a cushion there?

WAOB: This question comes up every year. For about 20 years now, we've engaged in significant information exchanges with China. And, our knowledge and analytical ability with respect to China has grown dramatically. We now have people on our staff who can speak and read Chinese.

As recently as the 1990s, China was reluctant to exchange information. However, in the mid-1990s Chinese officials came to USDA and asked NASS and WAOB for help as they planned their first complete agricultural census. In response, USDA shared analytical methodologies with China. In 1997, China completed its first complete agricultural census. Since the mid-1990s, our counterparts in China have shared information more freely and, as result, our information about China's agriculture has improved. I have no evidence that China is intentionally reporting misleading numbers. However, China's numbers may not be as accurate as we would like them to be. Having said that, and failing better information, we often adopt final estimates for most commodities published by China's National Bureau of Statistics. A large segment of the China's rural population is illiterate. This, of course, makes data collection more difficult.

Attendee: Back to corn stocks, with the new questions on clarifying old-crop versus new-crop stocks, can you tell anything of what impact the questions have? Was there over or under-estimation or bias?

NASS: I think it is important to remember historically we've always asked this in the southern states. Did it have a huge impact in the northern states? I don't think it did. Even asking the questions the old way and clarifying, we tried to get only old stocks. We've always gone back to double check when stocks seemed larger and could have had new-crop stocks included. I don't really think it had that much difference.

Attendee: We've had several fiascos with weekly import data from Canada and that mainly lies with APHIS. The current guy is moving on. What can you say about how this data will be handled in the future?

AMS: There are plenty of people who can pick up after he leaves and handle the data. We are continually working to make sure the data is correct.

Attendee: APHIS changes things but doesn't tell anybody and other agencies can't react quickly.

Attendee: Export data on pork and Dried Distillers Grains (DDGs) are becoming more important all the time. We didn't have a huge test weight fiasco this year on corn, but when is the US going to measure in tons instead of bushels? I don't know of anybody that doesn't weigh grain when buying or selling. We still have to try to report bushels then there are questions every year about what test weights are?

NASS: In the grain reports, we do have a metric table. I like metric, but can you get a farmer to report in their production in anything other than bushels? Can you get the Board of Trade to have contracts in anything other than bushels? It sounds easy, but it isn't. In our Objective Yield lab we weigh corn and soybeans and do make adjustments to the standard weights. Would it help to report test weight from our OY samples? The answer

is yes. We won't rush in, but we can look at doing something like that. We think about it all of the time.

Attendee: In September, we had normal pod weights. In October, we went to record high pod weights. How did this happen in a drought year?

NASS: Soybeans are very difficult to estimate. They have a mind of their own and if they get in, they can grow more. Until September, we don't have lab data. What we work off of is the 5-year average pod weight. From the farmers' interview survey we get their opinion of yield. From the Objective Yield survey, we get a plant count and a pod count. You only get weight when we send something to the lab. We look at the data all at one time. The farmer survey told us one thing but the Objective Yield pod weights were saying something different.

Attendee: Last summer, I would have liked to have had pod count data for soybeans for 1988. That would have helped a lot with where your yield came from. Would you ever consider releasing some of the old pod count and ear count data going back to the 1970s for individual states? We had a drought to compare with 1988, but we don't have the old data. When we dig into the details of the old data, I have anecdotal memory. Would you ever consider releasing on an index basis for corn and soybeans?

NASS: With pod count and ear counts, it all depends what we have in the databases. Some of that data was before personal computers. I don't know exactly what we have. If people request this data, we've sent an excel spreadsheet to them. It would be kind of neat to put a book together. It is a possibility. For harvest loss, we would consider it but don't know if we would do it. Several years ago we published a one-time flyer with some historic Objective Yield information for corn, soybeans and wheat. Part of the reason we went back to 1995 is that was far back as we had information.

Attendee: Since last August, the Census Bureau has had requests for green statistics, so they dropped wheat grind and soybean crush. Is there any enthusiasm to pick this back up? What can we do to try to organize or get this data restarted again? Particularly in the corn processing area?

NASS: NASS is willing to do more, but it is all about resources. We have discussed this with ERS and the Office of the Chief Economist at USDA. It is a work in progress. However, I can't lobby for more money. But, if it is something you absolutely need, you folks have to make it known.

Attendee: How much does this cost?

NASS: You can get that from the Census Bureau. The WAOB and NASS have talked about some of the benefits of the Current Industrial Reports from the Census Bureau. These are important. If these reports came to USDA, we could tailor the report and maybe do more with the ethanol complex. If USDA had the authority to do the reports, we could do some things.

Attendee: Now the Energy Information Agency (EIA) is giving us weekly ethanol production. What about asking EIA to ask how many bushels are used or yields of the crop so WAOB can do a better job?

NASS: I asked EIA this question a few years ago. There were a lot of things we could do. At that time, EIA didn't show an interest. If the Current Industrial Reports came to USDA, there could be some negotiation to get the information all at the same time. How much grain did you purchase in a time period? How much did you grind? How many DDGs did you produce? If this report was at the USDA, we could do some of this.

Attendee: With current statutes, EIA could do this.

WAOB: Government agencies cannot ask questions without authorizing legislation.

Attendee: On Brazilian and Argentina data, are you getting more comfortable with their data?

WAOB: In general, we are comfortable with the data Brazil publishes but, like all foreign data, we may or may not agree with it depending on the timing of the release and/or our independent assessment. We've traveled to Brazil on a number of occasions and exchanged analytical methods with our counterparts. Brazil has implemented a publication schedule regarding crop prospects which we have found to be helpful. We also track Brazil's state agency crop reports for consistency with national level numbers. We are not as comfortable with the data reported by Argentina.

Attendee: I hear a common theme of "if we had more money". How come you aren't getting any of it?

NASS: NASS and other agencies are limited by what we can and cannot say in public. We do not comment on budget issues nor can we ask for more money to do a certain project. However, you only need look at news headlines to see the budgetary climate facing the US.

Attendee: Can you take us through the late-season procedures for harvested acres? We've heard hundreds of reports and from OCE saying USDA is having tremendous difficulty in determining harvested acres. It doesn't seem the number we have at the moment is where we need to be?

NASS: We've asked throughout the growing season about harvested acres, compared to planted acres. Based on information from the producers, the data hasn't shown larger than normal abandonment. The in-season surveys are yield surveys and are designed to get yield only, not harvested acres. In December, the survey is designed to get acreage, yield and production. Were we surprised there wasn't as much abandonment? Yes.

Attendee: Is there intra-season discussion with crop adjustors or the Risk Management Agency (RMA)? There have been thousands of reports of acres zeroed-out.

NASS: First, the acreage estimates we put out are the best estimates based on the information we have, the same with yield forecasts. We don't do any playing around to adjust for what we think may happen. Second, we don't get any information from crop insurance this early in the season. They operate on a different timeline than you might think. When we can get the info, we do look at abandonment. The same goes with Farm Service Agency (FSA) data. We look at their failed acres, but there really is no incentive for farmers to report their failed acres to FSA. It isn't a big factor at the state level in the season. It can be helpful for county estimates at the end of the year. There is the issue of corn cut for silage as well. We don't estimate silage until the end of the season.

- Attendee:** I think it is a serious issue, every year I hear about budgets being tight. I'm from Canada and I don't see the constitution protecting high-frequency trading. Maybe you should charge for this valuable data. Is there any for-fee basis reports being considered? It would be sad to see data being cut when they have value?
- AMS:** We are operating under the Ag Marketing Act for 1946 and we are not allowed to charge for anything.
- NASS:** NASS collects data from farmers. Who is the user of the information? Farmers use the data. When you start charging for reports, I don't know where our response rates would go? Canada started charging for their reports and their response from farmers went away. The Canadian farmers came to the US and asked NASS for a joint report so they didn't have to pay Canada.
- WAOB:** In the current budget environment, every government agency is considered discretionary. The truth of the matter is the outlook is guarded regardless of which party wins. When we think about adding reports, we have to think about dropping something else.
- Attendee:** On the DDG export sales, when does this start?
- NASS:** The Foreign Agricultural Service does this report and they are not here due to budget cuts.
- Attendee:** What's next year's trend yield in corn?
- WAOB:** Last year we published 166 bushels per acre, 2 bushels above the trend value of 164 bu/ac. We have been asked several times to explain why. At the time, moisture was generally good and planting was proceeding at a rapid pace. Normally, this has a positive impact on yields. With respect to 2013, we are working with ERS to improve our yield forecast models. It's too early to comment on 2013.
- Attendee:** In reality, taking out years isn't the issue. But if you include all years you get 157 bushels per acre. That is still a high yield.
- WAOB:** The statisticians in this room understand that the starting year and ending year of a time series have a large impact on a forecast. This is especially true if either or both are outliers. In our view, anomalous years must be dealt with in trend analysis models. The starting and ending years of a trend model must be carefully chosen to avoid excessive bias, one way or the other.
- Attendee:** On the budget, there are a lot of private companies that could step in to fill industry needs. But they don't have the ability the government has to ask questions or require mandatory reporting. If they keep cutting your budgets, how do we get around this since you provide such a good service?
- NASS:** In reality, it is mandatory for farmers to report on the Census of Agriculture. All of the production surveys are voluntary. If you push farmers with mandatory reporting, you'll have a difficult time. When NASS does data collection, it is voluntary. We in this room plus all of your colleagues outside this room are relying on farmers to answer our questions. If those farmers do not believe there is value in what we do, then they don't report. If the producers don't report, that is a problem for all of us. That voice of a need for information needs to come from data users to the producers. We had farmers talking

to the Administration and they were able to get some reports back with additional funding.

Attendee: Concerning the issue of planted and harvested acreage, I gather it won't be resolved until the annual crop production report. If you look at the last major drought in 1988, it was the January report that raised harvested acres and had a dramatic impact on the price as it was higher than during the forecast year?

NASS: I can tell you we are real close on planted acres. But, what is the ratio of harvested to planted acres? We have yield surveys and we do collect harvested acres. The standard errors are variable on harvested acres on the in-season surveys. We don't have any information now that would change the harvested acres. We will have better information in December that may or may not change harvested acres.

Attendee: You will not change harvested acres in November?

NASS: It isn't something we've done much in the past.