

7. USDA Crop and Livestock Reports: What, When, and Where?

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Abstract/Summary

Generally, commodity markets are efficient. No one will consistently beat the market. But it is possible to end up well behind the market if you don't know what is going on. Focusing on USDA crop and livestock reports, this presentation will help participants understand what information is freely available and when, in order to be aware of times when a particular market may be absorbing this information, causing changes in prices.

USDA Crop and Livestock Reports: What, When, and Where?

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Predicting Commodity Prices: A couple of quotes

- *"Prediction is very difficult, especially if it's about the future".*

Neils Bohr, Physicist

- *"I have seen the future and it is very much like the present, only longer."*

Kehlog Albran, Author



Moneyball: The Art of Winning an Unfair Game

- By Michael Lewis (2003). Movie with Brad Pitt (2011).
- Sabermetrics (Bill James: 1980s)
- Billy Beane – Oakland A's general manager
 - Determined "prices" for things not generally considered "priceable"
 - Fielding skills, on-base percentage, pitches not in the strike zone that are swung at.



Moneyball: Valuing Hitters and Pitchers

- For hitters, the most important statistic:
 - OBP: on-base percentage (3x more important than slugging percentage). Most important predictor of run production.
 - Also: strikeout percentage and ERV (expected run value). These are all more important than HR, RBI or batting percentage.
- For pitchers, the most important stat:
 - Ground ball:fly ball ratio. By far the most important. 2.5x more important in predicting low runs scored than ERA (earned run average).
 - Others: walk:strikeout ratio, pitches per batter.



The Point: Information Matters

- Market Efficiency:
 - In "Moneyball", market inefficiencies existed: high-priced players did not have some of the most important statistics; those with some of the most important stats were low-priced.
 - Much economic analysis assumes that markets operate efficiently (perfectly competitive market)
 - Perfect information
 - Homogeneous good
 - No participant with market power to set prices
 - No barriers to entry or exit
 - Equal access to production technology



Market Efficiency

- For the most part, commodity markets are efficient. (You cannot/will not consistently beat the market over a long time).
- BUT: you may well be behind the market if you don't know what is going on.
- This presentation is to help you understand what information is freely available and when, so that you are aware of times when a particular market may be absorbing this information, causing changes in prices.



A Note on Fundamental vs. Technical Analysis

- Fundamental Analysis: uses supply and demand data (and other economic data such as income, costs, currency rates, inflation, etc) to forecast prices.
- Technical analysis: primarily uses the patterns of price data itself. Looks for trends in prices, as well as highs and lows which provide “natural” limits to price movement.



Fundamental Analysis vs. Technical Analysis

- Technical analysis attempts to spot patterns in price volatility and tries to time the purchase and sale of a particular asset.
- Fundamental analysis researches factors which should affect the price of the asset and makes purchase or sale decisions based on what prices are expected to do.



Technical Analysis

- Advantages of technical analysis:
 - May be better at timing a purchase or sale
 - When wrong, technical analysis is faster to self-correct
 - May be useful to catch short-term trends.
- Disadvantages of technical analysis:
 - Relies almost exclusively on past price movements
 - May ignore other market information
 - Is more vulnerable to unexpected changes



Technical Analysis

- A couple of quotes attributed to Warren Buffet about technical analysis:
 - “I realized technical analysis didn’t work when I turned the charts upside down and didn’t get a different answer.”
 - “If past history was all there was to the game, the richest people would be librarians.”



Fundamental Analysis

- Advantages of fundamental analysis
 - Provides extra information not available using technical analysis.
 - May predict a price movement well in advance of it actually happening
 - Gives incentive to hold a winning position
 - Fundamental news provides information to the entire market, but is best utilized by someone who knows what it means.



Fundamental Analysis

- Disadvantages of fundamental analysis
 - Difficult to determine timing
 - May be missing variable(s)
 - Gives incentive to hold a losing position
 - Does not account for unexpected developments
 - 1973: Russian wheat sales
 - 1979: Russian invasion of Afghanistan; Iran revolution
 - 1991: Iraq invades Kuwait
 - 2006: ethanol subsidy/mandate/tariff



Fundamental Analysis

- In today's world, the factors affecting the market fundamentals (supply and demand) are more numerous and more interconnected than ever.
 - Argentina's export ban on grains (2008)
 - Australia's drought (2009-2010)
 - Russia's fires (2010)
 - Europe's recent woes (Cyprus, Spain, Greece)



Some factors to pay attention to:

- Income and unemployment
- Inflation
- Currency exchange rates (\$, Euro, Yen, etc)
- Interest rates
- Trade balances/deficits (current account)
- Government deficits and debt
- Government policy
- Weather
- Natural disasters
- Conflict/War



Fundamental Analysis

- A few other notes:
 - Are fundamentals instantaneously discounted?
 - May be lags. Market may have already overshot equilibrium prior to report or info.
 - Long-term vs. short-term
 - LT implications may differ from ST response.
 - Key is understanding ALL the news in the market and how it will affect prices.
 - One of the biggest sources of market news: USDA reports



USDA Reports

- USDA provides a variety of reports on agricultural commodities at daily, weekly, monthly, quarterly, and annual intervals.
 - Crop reports, including supply-demand info, planting intentions, stocks and inventory, and crop condition reports, among others.
 - Livestock reports, including animal inventories, slaughter, cold storage, on-feed, among others.
- In addition to reports, the annual **USDA Outlook Conference** the end of February is something to pay attention to.



Crop Reports

- The USDA publishes monthly crop supply and demand estimates for the USA and the world
 - These benchmark estimates provide grain markets with objective, timely and comprehensive supply-demand info
 - Crop Production Reports
 - World Agricultural Supply-Demand Estimates (WASDE)
- USDA crop and WASDE reports have broad impact as they define the fundamental supply-demand conditions in commodity markets



USDA World Agricultural Outlook Board

- Interagency process, with monthly forecasts of U.S. and world supply and demand for major crops
- **A balance-sheet approach**
 - **Supply:** Beginning stocks, Production & Imports
 - **Use:** Food, seed and industrial use, Exports, Feed+Residual
 - **Ending Stocks** or carryout stocks
 - **Prices:** U.S. average cash price projections (by marketing year)



Monthly Crop Production & WASDE Reports

- USDA **Crop Production (NASS)** & **WASDE (WAOB)** reports are prepared simultaneously in a secured area & released at 12:00 noon ET (11 am CT) between the 8th & 12th day of each month
 - NASS production forecasts are incorporated into U.S. crop supply-demand estimates



www.usda.gov/oce/commodity/wasde

USDA OFFICE OF THE CHIEF ECONOMIST
United States Department of Agriculture

Related Reports

- U.S. Crop Production
- International Production, Market & Trade
- Monthly Outlook Reports
- How WASDE is Prepared

World Agricultural Supply and Demand Estimates Report (WASDE)

The World Agricultural Outlook Board (WAOB) serves as USDA's focal point for economic intelligence and the commodity outlook for U.S. and world agriculture. The Board coordinates, reviews, and approves the monthly World Agricultural Supply and Demand Estimates (WASDE) report, issues OCE's Joint Agricultural Weather Facility, and coordinates USDA's Agricultural Outlook Forum.

Latest Report:
PDF XLS, Excel
2013 Release Dates: 12:00 noon ET
May 16, Aug. 12, Jul. 10, Aug. 12, Sep. 12, Oct. 11, Nov. 8, Dec. 10

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How WASDE is Prepared

Cotton Estimates

An Excel table for upland and extra long staple (ELS) cotton estimates is posted by 3:00 p.m. ET on WASDE report release days. Archives

World Agricultural Weather Highlights

Latest Report (PDF)

Understanding USDA Crop Forecasts

Commodity Specialists

WASDE - 520 - 15 July 2013

U.S. Soybeans and Products Supply and Use (Domestic Measure) 1/

SOYBEANS	2011/12	2012/13 Est.	2013/14 Proj. Jun	2013/14 Proj. Jul
Area Planted	75.0	77.2	77.1 *	77.7 **
Area Harvested	73.8	76.1	76.2 *	76.9 **
Yield per Harvested Acre	41.9	39.6	44.5 *	44.5 **
Beginning Stocks	215	169	125	125
Production	3,094	3,015	3,390	3,420
Imports	16	75	15	15
Supply, Total	3,325	3,209	3,530	3,560
Crushings	1,703	1,600	1,695	1,695
Exports	1,362	1,330	1,450	1,450
Seed	90	90	87	87
Residual	1	5	33	33
Use, Total	3,155	3,085	3,264	3,264
Ending Stocks	169	124	265	295
Avg. Farm Price (\$/bu) 2/	17.50	14.40	9.75, 11.75	9.75, 11.75

SOYBEAN OIL

	2011/12	2012/13 Est.	2013/14 Proj. Jun	2013/14 Proj. Jul
Beginning Stocks	2,425	2,540	1,730	1,745
Production	19,740	19,605	19,495	19,495
Imports	149	350	250	250
Supply, Total	22,314	22,495	21,475	21,490
Domestic Disappearance	18,510	18,550	18,550	18,550

Other Crop Reports: National Agricultural Statistics Service (NASS)

- Winter wheat and rye seedings report - early January
 - Reports actual planted acres
- Planting Intentions Report - end of March
 - For summer crops, based on farmer survey in early March
- Acres Report - late June
 - Planted acres, based on early June survey.
 - First report of actual planted acres.



Other Crop Reports: National Agricultural Statistics Service (NASS)

- Monthly yield and production forecasts
 - Winter wheat - starting in May
 - Spring wheat and other small grains - starting in July
 - Other spring-planted crops - starting in August
 - Final crop estimates - end of the harvesting season
- Quarterly Stocks Reports
 - Grain and soybeans stored on and off farms (March, July, September, December)
 - These inventory reports have become large market-changers in an era of relatively low stocks.



Other Crop Reports: National Agricultural Statistics Service (NASS)

- Weekly crop progress and condition report
 - Beginning in March, for each state.
 - Released each Monday morning, reporting on the previous Monday-Sunday period.
 - Also includes days suitable for fieldwork as well as topsoil and subsoil conditions for the state.
- Expected yield reports
 - Monthly, August to November, for corn and soybeans.
 - Reflect conditions as of the first of the month.



Annual USDA June Ag Survey

Largest USDA Survey Each Year

- Survey done in 1st two weeks in June:
 - ≈ 2,400 interviewers contact > 125,000 farmers
 - Either by phone or in person
- U.S. crop & livestock producers report:
 - Acreage of each crop either planted or intend to plant
 - Acreage they expect to harvest as grain
 - Stocks of grain in on farm storage
 - Livestock inventories



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Importance of January Crop Reports

- January is the biggest report period of the year for crops.
 - Crop Production Annual Summary
 - Quarterly Grain Stocks
 - First quarter estimated usage is documented in the stocks report.
 - Winter Wheat Seedings
 - January WASDE reports.
 - “Final” yield for the corn and soybeans



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Other “Big” Reporting Times

- End of March: Planting Intentions report and Quarterly Stocks reports.
- End of June: acreage report (reporting actual plantings, based on early June survey)
- Mid-August: first expected yield report for summer crops, based on field surveys.
- End of September: small grains summaries (including wheat)



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Useful Websites for Crop Reports

- **WASDE**
 - <http://www.usda.gov/oce/commodity/wasde/>
- **National Agricultural Statistical Service:**
 - <http://www.nass.usda.gov/>
 - Has each report released that day available, as well as news headlines.
- **NASS Reports by Release Day**
 - http://www.nass.usda.gov/Publications/Reports_by_Release_Day/index.asp
- **USDA Outlook Reports:**
 - <http://www.ers.usda.gov/Browse/view.aspx?subject=Crops>



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National Agricultural Statistics Service www.nass.usda.gov

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The National Agricultural Statistics Service provides timely, accurate, and useful statistics in service to U.S. agriculture.

Today's Reports from NASS More
Apr 19, 2013

Cattle on Feed Text | PDF | CSV
Released at 3:00 P.M. ET

Milk Production Text | PDF | CSV
Released at 3:00 P.M. ET

Peanut Prices Text | PDF | CSV
Released at 3:00 P.M. ET

Headlines

NASS to Provide Partial Milk Production Estimates for the Remainder of Fiscal Year 2013

USDA Expects Record-High Combined Corn and Soybean Acreage

Grow Your Farm Future with the 2012 Census of Agriculture

NASS Suspends Certain Statistical Estimates and Reports Due to Sanctions

I Want To...

- Make sure I'm counted
- Respond to NASS surveys online
- Ask a specialist
- Request a special tabulation
- Submit Feedback on the Chemical Use program
- Find charts or maps or geospatial data
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- Title
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Useful Websites for Crop Reports

- **Crop Progress and Conditions**
 - http://www.nass.usda.gov/Publications/State_Crop_Progress_and_Condition/
- **Prospective Plantings:**
 - <http://usda.mannlib.cornell.edu/MannUsda/viewDocumentInfo.do?documentID=1136>
- **Winter Wheat Seedings:**
 - <http://usda.mannlib.cornell.edu/MannUsda/viewDocumentInfo.do?documentID=1188>
- **Small Grain Summaries:**
 - <http://usda.mannlib.cornell.edu/MannUsda/viewDocumentInfo.do?documentID=1268>



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Useful Websites for Crop Reports

- **Quarterly Grain Stocks Reports:**
 - <http://usda.mannlib.cornell.edu/MannUsda/viewDocumentInfo.do?documentID=1079>
- **June Acreage Report:**
 - <http://usda.mannlib.cornell.edu/MannUsda/viewDocumentInfo.do?documentID=1000>
- **K-State AgEcon Grain Outlook Newsletter:**
 - <http://www.agmanager.info/marketing/outlook/newletters/default.asp>



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A Few Additional Sites

- **Weekly Export Inspection Report:**
 - Monday morning at 8 am.
 - http://www.ams.usda.gov/mnreports/wa_gr101.txt
- **Weekly Export Sales Report:**
 - Thursday morning at 8 am.
 - <http://www.fas.usda.gov/export-sales/esrd1.html>
- **Weekly Petroleum Status Report:**
 - Wednesday morning at 10:30 am.
 - <http://www.eia.gov/petroleum/supply/weekly/>
- **NOAA 6-10 day forecasts (Daily)**
 - <http://www.cpc.ncep.noaa.gov/products/predictions/610day/index.php/>



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Livestock and Meat Market Information USDA Reports

- Many USDA livestock reports available
- The bigger ones:
 - Livestock, Dairy, & Poultry Outlook – middle of each month, with a quarterly forecast for next 4-6 quarters
 - Cattle-on-Feed – third or fourth Friday of each month.
 - Livestock Slaughter – Thursday, often the day before cattle-on-feed, each month.
 - Cattle Inventory – semi-annually, end of January and end of July.
 - Hog and Pig Inventory – quarterly, March, June, September, December.



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Livestock and Meat Market Information USDA Reports

- Some other reports:
 - Quarterly Hogs and Pigs – End of March, June, September, December.
 - US and Canadian Cattle / US and Canadian Hogs – latter parts of February and August.
 - Cold Storage – generally around 22nd of each month
 - Milk Production – between the 19th-24th of each month



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Livestock and Meat Market Information USDA Reports

- Livestock, Dairy, & Poultry Outlook
 - <http://www.ers.usda.gov/publications/ldp>
 - Monthly, in the middle of the month
 - Quarterly forecast for next 4-6 quarters
- US & Canadian Cattle
 - <http://usda.mannlib.cornell.edu/MannUsda/viewDocumentInfo.do?documentID=1464>
 - Released 2x year (Feb. & Aug, mid month)
- US & Canadian Hogs
 - <http://usda.mannlib.cornell.edu/MannUsda/viewDocumentInfo.do?documentID=1624>
 - Released 4x year (Feb, Apr, Aug, Oct)



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Livestock and Meat Market Information USDA Reports

- Cold Storage
 - <http://usda.mannlib.cornell.edu/MannUsda/viewDocumentInfo.do?documentID=1034>
 - Released monthly, mid-month
- Livestock Slaughter
 - <http://usda.mannlib.cornell.edu/MannUsda/viewDocumentInfo.do?documentID=1096>
 - Released monthly, mid-month
- Cattle on Feed
 - <http://usda.mannlib.cornell.edu/MannUsda/viewDocumentInfo.do?documentID=1020>
 - Released monthly, 3rd or 4th Friday



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Livestock and Meat Market Information USDA Reports

- Cattle Inventory Reports
 - <http://usda.mannlib.cornell.edu/MannUsda/viewDocumentInfo.do?documentID=1017>
 - Released in Jan & July; end of the month;
- Hogs and Pigs Inventory Reports
 - <http://usda.mannlib.cornell.edu/MannUsda/viewDocumentInfo.do?documentID=1086>
 - Released quarterly (Mar, Jun, Sep, Dec); end of the month
- Milk Production
 - <http://usda.mannlib.cornell.edu/MannUsda/viewDocumentInfo.do?documentID=1103>
 - Released quarterly (Mar, Jun, Sep, Dec); end of the month



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Livestock and Meat Market Information Other Reports and Information

- Daily Livestock Report
 - <http://www.dailylivestockreport.com/>
 - 1 page synopsis on livestock/meat market drivers
 - Lists schedule of releases, and links to, current month's USDA reports
- Interest Rates Forecasts
 - <http://www.cmegroup.com/trading/interest-rates/fed-funds.html>
- CME Group Livestock Fundamentals
 - <http://www.cmegroup.com/trading/commodities/cme-group-livestock-fundamentals.html>
 - Overview of cattle & hog industries; outlines stages of production, etc.



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Livestock and Meat Market Information Current Price Information

- Futures Markets
 - <http://www.cmegroup.com/trading/commodities/>
 - <http://www.agmanager.info/livestock/marketing/futures/default.asp>
- Cash Markets
 - <http://www.agmanager.info/livestock/marketing/graphs/default.asp>
 - <http://www.agmanager.info/livestock/marketing/database/default.asp>
- Basis (Cash - Futures) Information
 - <http://www.agmanager.info/livestock/marketing/graphs/default.asp#BasisCharts>
 - BeefBasis.com <http://www.beefbasis.com>



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Livestock and Meat Market Information Newsletters and Commentary from K-State

- KSU Radio Interview
 - <http://www.agmanager.info/livestock/marketing/outlook/newsletters/default.asp>
- "In the Cattle Markets"
 - <http://www.lmic.info/memberspublic/InTheCattleMarket/CattleMktsframe.html>
- Recent Cattle Finishing Returns
 - <http://www.agmanager.info/livestock/marketing/outlook/newsletters/FinishingReturns/default.asp>



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THANK YOU!
QUESTIONS???

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