

**2011 NASS Chicago Data Users Meeting
Questions & Answers
October 17, 2011**

Introductions and Opening Remarks from Agencies

Agricultural Marketing Service (AMS), United States Department of Agriculture (USDA)
Economic Research Service (ERS), USDA
Foreign Agricultural Service (FAS), USDA
National Agricultural Statistics Service (NASS), USDA
World Agricultural Outlook Board (WAOB), USDA
U.S. Census Bureau, U. S. Department of Commerce (Census)

Questions and Answers

Attendee: We know corn and soy harvest progress is slower than last year. What was the percentage of plots harvested this year versus last year for the Objective Yield survey? Why does NASS not publish this data in the crop report?

NASS: Last month, roughly 80 percent of corn samples had information going through the lab, but it wasn't necessarily final harvested data. For some plots, we harvested late maturity code ears outside the official plot and sent them through the lab. For soybeans we had roughly 30 percent of plots with harvested lab data. As for why we don't publish this information—if you want something published, send us a note, ask us, and we will consider it.

Attendee: NASS used Farm Service Agency (FSA) data to calculate planted and harvested acres. How does NASS use FSA data to estimate harvested acres? What percent of FSA has been incorporated into the current estimates? Will NASS receive updated information from FSA that might affect acreage in November and December? How much more change would we see for corn and soybeans?

NASS: NASS uses FSA harvested/failed acres data to help calculate harvested acres. We consider it a minimum abandoned acreage though. The timing of FSA data usage is different for different crops. In September, we use it to update cotton, rice and peanuts, and in October for corn, soybeans, and other fall crops. For harvested acreage, we do look at the failed acreage from FSA, but historically those numbers are small compared to what is abandoned. FSA data is a huge deal for planted acres, but not much use for harvested acreage. Typically, in November you don't see a lot of acreage changes.

Attendee: Since the small grains report had issues with crops left in the field, you said you would resurvey some people. Will that include the wheat, corn and soybean producers or only barley and oat producers?

NASS: When we conducted the original September Ag survey, we asked respondents specifically how many acres were still standing in the field for all small grain crops. We asked that question for two reasons: 1) it tells us who still has acres left to be harvested, and 2) those acres are included in on-farm grain stocks. When we resurvey, we'll only go back to

those producers who still had unharvested crops and we will only ask them about those crops that were still unharvested.

Attendee: Prevented plantings are an issue with FSA data. Is that concentrated on the planted acres side?

NASS: Good question. NASS is only interested in what is planted for an individual crop, not what could be planted. We look at the principal crops total to give us an idea of total cropland planted in the given year and then compare that with the economic situation. That is where the prevented planted acres show up compared with last year. With high prices, you would expect to see more crops planted. But with spring flooding, the crops couldn't get planted and the principal crop totals reflect less planted acreage.

Attendee: You get your information from farmer surveys?

NASS: Yes.

Attendee: Do you have a timeline when the rule on pork export sales reporting will be published in the Federal Register?

FAS: It is difficult to give a solid timeline. The rule is entering the clearance channel now, but we don't know how long it will take. It could take up to 90 days for the Office of Management and Budget (OMB) to review the rule. When the proposed rule is published there will be a 30-day comment period. A final rule will then be published to address the public comments and implement the change.

Attendee: We really appreciate the Mexico report the ERS published recently and are looking forward to the ERS variety meats and China pork production reports.

Attendee: Since we've had mandatory price reporting for pork, there is no morning price report due to confidentiality issues. Are you considering giving more time to the 9:30 a.m. cut off so we could get more negotiated reports?

AMS: The law defines that we report three times per day and the times when the reports are published. So we can't adjust the time. We have to put out a report of some kind but due to confidentiality can't publish specific data items. The industry would have to initiate any change to the law or the process we follow.

Attendee: As the U.S. Census Bureau soybean crush data set is being eliminated, what is your confidence level in the National Oilseed Processors Association (NOPA) data? And, how will that affect how you work?

WAOB: I don't know that I can comment on NOPA. It represents 95–96 percent of industry participants and we'll have to keep in touch with them. How we use it depends on the quality of the NOPA data.

Attendee: How do you measure the quality of NOPA?

WAOB: We will have to watch it over time and stay in touch with NOPA.

Attendee: We're seeing a rapidly declining rate of cash cattle trade and an increase in formula and grid trades. Is there any way, with the agreement of the packers, to pull some kind of

price and quality information from their contracts to add to the cash sale price and quality data? It is as important to know the quality of the cattle being traded as the price. Currently high-quality cattle are being traded at the same prices as other quality cattle since cash sales are usually based on lower-quality cattle. Can we open the dialog to get some kind of change?

AMS: Any effort to change the regulation would have to come from the industry.

Attendee: I can tell you communications between associations and packers have started and we need to get all other parties talking. Some cash sales are reported now, but they are declining. We've seen what happened in the pork industry and want to be ready when the cattle industry gets to that situation.

AMS: Like I said, any change efforts would have to come from the industry.

Attendee: With the grain stocks reports, it seems difficult to set feed and residual. The feed and residual seems to come from the size of the crop and not the number of animals on feed. Could you publish a separate report on how you calculate feed and residual? We are confused by the process. Is the WAOB willing to consider more transparent reporting of the formulas used to calculate feed and residual statistics?

WAOB: We are having some difficulty with the numbers. I don't want to cast aspersions on anything NASS has done. NASS publishes the stocks and those are the numbers. It used to be that, by knowing feed and residual for corn in the first and second quarters, you could estimate the third and fourth quarters. If you look at the numbers this year, the feed disappearance fell dramatically, especially in the third quarter. We do look at things like grain consuming animal units (GCAUs). Although the historic patterns are there, with 40 percent of the crop being used for ethanol, the patterns are changing. Remember, when we get the stocks numbers from NASS, their numbers determine feed *and* residual.

Why don't we have a more formal approach? We can't really publish a strict formula. We have a committee process and look at a variety of factors. The feed and residual category has gotten less predictable as usage patterns have changed. Quality of corn is a factor. Early or late crops are a factor. The monthly ERS Feed Grains report listed some of the factors we have looked at. The relationship between GCAUs and feed and residual disappearance is very poor. Dried distillers grains (DDGs) could have had an impact on the third and fourth quarters in 2011, but any reasonable calculation of DDG usage doesn't explain the difference.

Attendee: On ethanol, are you changing the ratio you use to convert gallons to bushels? What reliable sources of data are available and used to calculate corn production used for ethanol production?

WAOB: We don't have a reliable source of data on this. It is likely the conversion rate changes based on crop quality. Rather than changing the rate month to month, we use a consistent conversion rate of 2.7 gallons of ethanol to one bushel of corn. We are using this rate because we think it is better to be transparent and we are trying to represent an industry-wide average.

Attendee: I am concerned about the lack of crushing data for soybeans. This is a significant usage line in the balance sheet. Does WAOB have established criteria to determine what kind of official data sources are used in its balance sheet? I'm not sure NOPA is an official data set or should be used as a separate line item. What kind of reliability do you have to see in the data set before you use it as a line item? Residual is going to be a big number without the Census numbers and if the NOPA data is added to residual.

WAOB: We were as surprised as you when we got the notice that the Census Bureau is dropping soybean crushing data. We weren't consulted beforehand. NASS, the USDA Chief Economist, and WAOB went to Capitol Hill to discuss the loss of this important data item. Part of the problem is the budget. There is a 50/50 chance it could be saved. I don't know how, but it could be.

The NOPA developments happened just recently. We've had informal discussions with people that care about this. Are we better off estimating residual and estimating crush separately? Or do we use different extraction rates? At the moment we are inclined to use NOPA for crush and to estimate residual. For soybeans, we have more historical information about residual and can keep the crush separate using NOPA data as a guide. In the future, we may be forced to use "crush and residual" that would be 50 percent of the crop. Residual currently runs about 2 percent and a portion of that is food use. The interagency oilseeds committee will continue to work on this.

Attendee: How do you get the soybean product stocks?

WAOB: We have good trade data on soybean meal and have good extraction rates on soybean oil. I'm concerned about vegetable oil stocks. There are several substitute crops that can be changed rapidly. We don't have good biodiesel data anymore either. The issues keep snowballing.

Attendee: WAOB should consider a line usage category for which they have no official data set rather than throw it into residual. I also don't think you have a case for making a soybean meal balance. Otherwise, you might start to become a guessing agency.

WAOB: We don't want to become a guessing agency nor do I think we would.

Attendee: With the Environmental Protection (EPA) not reporting anything on feedstocks, what will you be using for soybean oil usage in methyl esters?

WAOB: EPA has indicated it will enforce the mandate of producing a million gallons of biodiesel. The amount of biodiesel production has risen dramatically. We are nearly at the 15 million gallons level mandated on corn ethanol. EPA seems to be leaving open whether they will let soybean oil be used to make biodiesel beyond the original 1 billion gallon biodiesel mandate. That confounds the situation and we get more and more unknowns when we are losing good data. On EPA data reported in aggregate—EPA does not tell us how much vegetable oil is being used to make biodiesel. We don't really have a lot of information. Also, just in the last six months, we have imported more canola from Canada and we do not know how much of that may be converted to biodiesel.

Attendee: I disagree with putting more into the residual category and not trying to guess line items. I used to work for WAOB and had a sense that, even in NASS, there was educated

estimation going on. I do know that a huge percentage of the international balance sheet is educated estimation. Being an end user of USDA data, I would much rather see USDA do its best job estimating each usage line item and putting its best estimate out there to argue about. Maybe eventually funds are found for official data sets. But even if no funds are found, USDA best estimates are better than putting everything into residual. To bury everything in residual is an abdication of USDA's responsibility.

Attendee: The monthly potato stocks report will go quarterly—when will those be published? Could we do four reports at the middle of the season rather than spread out equally over the year? When will these reports be instituted?

NASS: We initially were looking at December, March and June. Not really quarterly, but three reports every four months. Talk to me afterwards about specific months you would want to see.

Attendee: Concerning corn stocks, on ethanol specifically, I know about the 2.7 gallons per bushel conversion rate. Doing the math, if you change from 2.7 to 2.85, couldn't that explain a lot of the residual change by itself? Why can't we try to get a reliable conversion number?

WAOB: We've looked at this and recognize new dry-mill plants can be engineered to produce at a 2.85 conversion. And, we understand there are some that do better than 2.8. But there are also some that do worse. Would using a different conversion rate solve the residual problem? No. It would just raise feed and residual in all four quarters. What we are seeing is that feed and residual disappearance is stronger in the first two quarters relative to the last two than five or six years ago.

Attendee: I have Production, Supply and Distribution (PS&D) questions. The display of data based on a country's marketing year makes it difficult to compare marketing year to marketing year. The crop marketing years are different for the United States and Argentina, for example. Can FAS consider normalizing crop marketing years so we can compare "apples to apples"?

FAS: All of the country data is reported as local marketing year data. For Brazil and Argentina in the soy complex, we normalize data to the October–September marketing year. To get to the local marketing year numbers, in the commodity selection panel you choose (for example) soybeans, local. Otherwise, you get the normalized Oct/Sep year data. The soy complex for Brazil and Argentina is the only situation where we have two sets of data. All other country data is presented on local marketing years. For grain, trade estimates are presented on local marketing years as well as a standardized trade year.

Attendee: Recently, I've been looking at the trends in the *World Agricultural Supply and Demand Estimates (WASDE)* report releases, trying to analyze patterns or changes in the country-specific data. Could you include some kind of comparison to the previous year or previous month?

FAS: Unfortunately the PSD Online system was developed to only provide the current official USDA estimates and not previous month's estimates. Providing these estimates would require substantial reprogramming and resources are not available to undertake such an initiative. As an alternative users can access our archived publications on the FAS

homepage or the Cornell University library (<http://usda.mannlib.cornell.edu/MannUsda/homepage.do>), which archives databases and reports for various USDA agencies.

Attendee: With the PSD Online system is it possible to keep the query intact if I just want to change a country or a year? Currently it erases all previously chosen variables, and that is frustrating.

FAS: I understand and agree this is a frustrating quirk in the system. . This is a programming issue related to the back button in Microsoft Explorer which clears all the selections. We will need to review resources and existing priorities to determine if this is something we can address.

Attendee: The grain stocks reports have made it challenging for our brokers with feedlots to stay with their positions due to the volatility of the futures markets after reports with surprising results. In January, the NASS and WAOB reports come out on the same day. In the other quarters, they are two weeks apart. Could we get the *World Agriculture Supply and Demand Estimates (WASDE)* reports in March, June and September on the same day as the grain stocks reports? To see the grain stocks report and the WASDE on the same day would be a help.

NASS and WAOB: We've talked about this. The real question is whether issuing reports on the same day is something data users would like to see. We can pursue it if this is something the industry wants. We can either push the grain stocks report two weeks later or move the WASDE up two weeks earlier. The problem is that the January lockup is a difficult lockup, with all of the work that has to be done in a short timeframe. We don't get data from NASS until 3 a.m. and have to be finished in a few hours. In January, you don't expect big changes to production. But in March, June and September, there can be big changes to production and it is more difficult to analyze the data, so it would take too long to combine the reports. You could also have a big change in production in the October crop report. Would NASS be willing to give the data a week early? NASS is prohibited from doing that.

Attendee: Could you move the time of the reports later in the day to let WAOB do the work it needs to do?

NASS: Would it be worthwhile to uncouple the stocks reports from the acreage reports? There are a lot of moving parts to think about. A few years ago we tried monthly hog reports, and it didn't work out very well.

WAOB: I would say we like the idea. But it is difficult to do it in Lockup the way we do Lockup now. We only have three hours to put the report together. We get the data at 3 a.m. NASS doesn't reveal the data early and they shouldn't. There are legalities for who NASS can share data with, so it may not be possible. The other issue is to change the timing of the report. We have been approached by the Chicago Mercantile Exchange (CME) about changing the report time, but they haven't made a formal request. We went to an 8:30 a.m. release time several years ago because the Chicago Board of Trade (CBOT) requested an early-in-the-day release time. Traders in Japan were trading on reports before U.S. traders could trade. Now, there is a 24-hour trading window. Some wholesale

changes would be needed to change the release time. There are numbers coming from all different directions that have to be factored into the decision.

I want to go back to the “guessing game” comment. This is serious business and a lot of money is involved. I would suggest the *WASDE* report be terminated if our forecasts and estimates are based on nothing more than educated guesses. We could create havoc by guessing wrong. We can’t do that.

Attendee: A lot of your reports reflect our input at data users meetings. Your sensitivity to your data users is reflected in your responsiveness. It is important to U.S. agriculture and has made us more competitive and efficient. I hate to see the July cattle report discontinued; this is of great concern to the cattle industry.

Attendee: Do you think it is becoming easier to find corn stocks on your surveys based on the changing use patterns? On the October surveys for corn yields, could you talk about the variability in those results and how that compares to last year?

NASS: If you look at the way we collect on-farm grain stocks information, we contact farmers and ask them, “*as of September 1* (or March 1, December 1, and June 1), *what are your corn stocks on hand.*” There is no reason to believe it is any easier to answer the question in one quarter than another quarter or than in previous years. The situation is the same with off-farm stocks. If the corn is moving in a different pattern, it could mean the levels of stocks reported will be a little different. But we are collecting the data the same way.

On the variability of the Objective Yield survey—in October there is always some variability. Progress is a little bit further behind than last year, but I don’t remember it being more variable than other years. We adjust our samples for variability and will increase sample sizes to control as much variability as we can.

Attendee: You said you had lab results on 80 percent of corn samples, with some final and some in which you stepped outside the Objective Yield plot, and that the 80 percent is normal. What was it made up of and what do you tend to learn from it?

NASS: I don’t have the distribution of late-maturity versus final harvest numbers on hand at the moment. From the earlier weight to the final lab grain weight there is some change and we’ll learn what that difference is. We have been contemplating publishing some of this information, but haven’t yet decided.

Attendee: We’ve gone through 2011 with a continuously, inordinately large cattle on feed placement rate and have had monumental movement from region 6. What is your confidence in your reports?

NASS: The large amount of placements does come up in every Board. We’ve seen some huge placement numbers. We haven’t changed anything in our procedures. We’ve done a good job over the years of coming out at the right level. I have no reason to doubt that things will come out okay this year, too. I don’t think we have the wheat pasture we should this year. Will some of those cattle go back to the feedlots? Maybe they will, maybe they won’t. We hope that placements will drop off. We have seen a lot fewer farm-fed animals.

Attendee: We've talked about dried distiller grains taking the place of corn feeding usage. What would it entail to publish a DDG report or add it as a line item? Also, can we get a valid ethanol conversion rate?

WAOB and NASS: We can't just add it. There is a whole OMB approval process that must be followed to start asking questions and the industry would have to agree to report the numbers. USDA would have to have the authority to ask the questions. ERS published a DDG report, but there were a lot of assumptions that went into that report. You can't put DDGs into the corn balance sheet. We've had to explain that several times. A while back, NASS tried to reach out to the Energy Information Administration (EIA) exploring the possibility of a joint USDA/Department of Energy study. That didn't come about because each department had a different goal. One could argue that with the current industrial reports, if we had resources, USDA could tailor reports to do something with ethanol. The problem is how to allocate scarce resources.

Attendee: The corn stocks just came in larger than expected. We've been using pipeline numbers for stocks to use. Do you think the pipeline numbers could have changed because of the ethanol industry? In China, what do you think the pipeline is?

WAOB: We were criticized for restricting our usage levels for the second quarter and not raising feed and residual. Our first and second quarter stocks to use were close. We don't view our usage as guided by some set stocks-to-use level. But we are learning as the ethanol industry matures. The committee doesn't say "how low of a stocks-to-use level can we go to." Instead, we let the data put the stocks-to-use level where it ends up.

Attendee: Everything we do is measured in bushels. But we've had two crops with light or heavy test weights. Why don't we go away from measuring bushels and go to metric tons?

WAOB and NASS: Are there any farmers in the room? Can a farmer tell me how many metric tons of grain they have in a grain bin? We could get weight on the commercial side because they weigh everything. But the farmers couldn't report by tons. Twenty-five years ago, there was a big push to go metric and it didn't go very far in farm country.

Attendee: The producers' on-farm storage has expanded dramatically in the last five to seven years, but as a percent of crop size it is about the same. Is there an issue that a producer may or may not get 50,000 bushels out of a 50,000 bin due to the low or high test weights? Is there potential of getting incorrect data from the farmers? The methodologies may not be as good as they used to be.

NASS: It is an interesting question. If resources weren't an issue, NASS could do a follow up survey to find out how much was actually in a bin, and weigh everything as it came out. But given the money today, we have to rely on asking farmers about how much they have in the bin. The last two years have been this way, but they aren't the only two years in the last twenty. Is it really dramatically different these two years than in other years?

Attendee: I have a number of concerns with agencies talking about prioritizing programs. The quality of our system depends on all the sources and uses of data. The interaction to put together the balance sheet approach is what gives the data its integrity and we aren't looking across agencies to make cuts smartly. We are losing a lot of sub-state detail, but the

overall quality is less if you aggregate from the top down. My comment to USDA as a whole is to take a really comprehensive look at all data and its usage before making cuts.

WAOB: I don't think the problem exists within USDA. I know EIA, the Department of Commerce and others have a different view of agriculture. I don't think NASS or FAS would make changes without talking to WAOB. However, I do think a breakdown occurs across Departments.