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Conspiracy or is USDA just betting on Summer Rains?¹

University of Illinois has published a new paper on their FarmDoc Website, titled "USDA Corn and Soybean Acreage Estimates and Yield Forecasts: Dispelling Myths and Misunderstandings". Some farmers over the years have expressed their belief that USDA has a hidden agenda associated with producing their estimates and forecasts. The "agenda" includes managing farm program costs and influencing food prices. No disrespect to the professionals who work at USDA, but I don't think they are organized well enough to carry out this "conspiracy". In Washington where everything leaks, it would require complete secrecy by a "large" number of professional who work on those reports to maintain such a conspiracy. Now really, what are the odds of any large group of people being able to keep a secret?

Some of the confusion is because different agencies within USDA provide production estimates for corn and soybeans for selected uses. World Agricultural Supply and Demand Estimates (WASDE) estimates the size of the National crop starting in May based on mathematical models. The National Agricultural Statistics Service (NASS) first feedgrain and soybean yield estimates are published in the August report based on survey data as explained in the Illinois paper. They also do a limited number of field checks. The Farm Service Agency

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(FSA) provides estimated final yields and prices for some counties/states when there is no NASS data available to determine farm program payments.

On about the first of the year NASS provides estimates of crop yields by state. In about February, NASS splits the estimated state production by practice, for example irrigated vs. non-irrigated corn. By about April following harvest, NASS provides their county yield estimates for selected counties.

NASS does not provide county yield estimates for all counties. NASS also does not split irrigated vs. non-irrigated production in most counties and in some cases states. Therefore, when NASS does not publish a yield the Farm Service Agency must estimate some of the state and county yields for programs like ACRE. The GRIP/GRP crop insurance policy is limited to only counties with NASS data that is expected to continue.

So the NASS numbers are used for a lot of things besides national planted acres and yields that affects market prices. Because many of the farm and crop insurance programs are based on final NASS yields that are based on surveys (final NASS yield is interpreted as actual yield for farm program purposes). Therefore, why doesn't USDA utilize the actual farm yields that are reported by practice to the Risk Management Agency (RMA) for determining the official "final" crop yield by practice for counties and states? A large percentage of farmers have crop insurance and are required to report their actual yields to the RMA that is also a USDA agency.

Farmers report those actual yields to RMA under the threat of criminal prosecution for misreporting their yields. Why would anyone think this data is not as reliable as survey data for setting the final USDA state and county yields? Perhaps for farm programs policy makers should by pass NASS data and use the RMA data. However, one would think using both NASS survey data and RMA's actual reported farm yield data would provide the best estimate of the final county and state yields that are treated as "fact" by a large number of economic studies used by policy makers.

The other question is what is the alternative? Many farmers pay for a marketing advisory/outlook service but in most cases they are using the USDA data. They may interpret the USDA data differently as to the impact on the markets but the source data is from USDA. Some of these price/yield estimating firms also survey their clients as a check on USDA data and to get a jump on the USDA reports. Large multi-national grain merchandisers have access to data on grain market flows worldwide but even then they don't have the inside information on decisions being made in many countries who import grain. So why would farmers be better off if the USDA's public information were eliminated when we know the multi-national grain dealers would still have access to private data? Thanks to the internet, farmers can get the USDA data as quick as the major grain trading companies. I would argue there is timelier market/yield information

available to farmers today than there was 30 years ago. While not suggesting this is a perfect system, I think on reflection most farmers will agree that having yield and market data publicly available is better than no data.

The UI paper will be an informative read as one thinks about future farm programs that are almost always based on NASS data. Most reasonable people will agree that NASS provides the best estimates possible given the limitations of economic and statistical analysis but that doesn't mean improvement is impossible.

The link to the paper is:

http://farmdoc.illinois.edu/marketing/mobr/mobr_11-02/mobr_11-02.html