

# How to Find Information

## Data Sources and Market Commentary

Mindy Mallory

# Chapter Overview

- Real-time and historical data sources
- Professional analysts and market commentary
- Futures markets as source of real-time price information
- USDA reports and databases

The more you follow commodity markets, the more you learn. Absorb the insights of professionals who live and breathe commodity markets every day.

# Market Commentary

# Market Commentary Sources

The best way to learn commodity price analysis is to listen to the professionals.

- Land grant universities in major commodity producing states
- Public radio in major commodity producing areas

# Key Resources for Market Commentary

Outlet	Description
Farmdoc Daily	U of I Dept. of ACE extension
WILL Agriculture	WILL and U of I Extension
Market to Market	Iowa Public Television
Center for Commercial Ag	Purdue University Ag Econ

# Futures Price Quotes

# Futures vs. Forward Contracts

## **Futures contracts:**

- Quantity and quality are standardized
- Traded on an exchange
- Exchange becomes seller to every buyer and buyer to every seller
- Easy to get into and out of positions
- Take offsetting position at prevailing price

## **Forward contracts:**

- Specific counter-parties (buyers and sellers)
- Customized terms

For U.S. agricultural commodities, the CME Group is the most important futures exchange for price discovery.

## **Contracts traded:**

- Grains/Oilseeds: corn, soybeans, soybean oil, soybean meal, SRW wheat, HRW wheat
- Livestock: live cattle, lean hogs, feeder cattle
- Softs: cocoa, coffee, sugar
- Energy: crude oil, natural gas, ethanol



# World Prices

Chicago Board of Trade (owned by CME Group) futures prices of corn and soybeans are considered the “World Price.”

All over the globe, prices for these commodities are set based on what the price of corn and soybeans are trading on the CME Group exchanges.

# Where to Get Price Quotes

## **CME Group website:**

- Real-time data (10-min delay)
- Most recent quotes
- Some charting capability

## **Third party vendors (more convenient):**

- Barchart
- TradingView
- More flexible interface
- Ability to download recent price history

# Futures Symbols

# Futures Ticker Convention

Contracts for several different expiry dates trade at the same time.

## General convention:

[Commodity Symbol] [Month Code] [Year]

## Example: CZ21

- C = Corn
- Z = December
- 21 = 2021

# Month Codes

Month	Code	Month	Code
January	F	July	N
February	G	August	Q
March	H	September	U
April	J	October	V
May	K	November	X
June	M	December	Z

# Common Contract Symbols (Barchart Style)

- **Corn:** ZC — Months: H, K, N, U, Z
- **Soybeans:** ZS — Months: F, H, K, N, Q, U, X
- **SRW Wheat:** ZW — Months: H, K, N, U, Z
- **HRW Wheat:** KE — Months: H, K, N, U, Z
- **HRS Wheat:** MW — Months: H, K, N, U, Z
- **Live Cattle:** LE — Months: G, J, M, Q, V, Z
- **Lean Hogs:** HE — Months: G, J, K, M, N, Q, V, Z

# Commodity Spreads

Spread	Source
Soybean Crush	Barchart Spread Chart
Cattle Crush	ISU Spread Calculation
Corn Crush (Ethanol)	ISU Ethanol Grind Margin

We will cover these spreads in detail later in the course.

# USDA Reports



# USDA's Role

The USDA has a long history of:

- Extensively surveying market conditions
- Reporting to the public
- Maintaining accessible databases

Because of their efforts to provide consistent and accurate estimates of key variables, market participants follow USDA reports very closely.

Their impacts on prices can be seen immediately—sometimes causing rapid, if not instantaneous price moves.

# Key Variables in USDA Reports

- Acres planted
- Yield
- Production
- Stocks
- Consumption
- Exports

# Prospective Plantings Report

- Estimate of grower intentions for planted acres
- Based on surveys during first two weeks of March
- Released on the last day of March every year

Why do prospective plantings change year-to-year?

- Relative prices of crops that compete for acres
- Growers look at harvest-time futures prices to estimate expected profit
- “Corn is bidding for acres”

# Acreage Report

- Estimate of acres actually planted (vs. intentions)
- Based on surveys during first two weeks of June
- Released on the last day of June

Why might Acreage differ from Prospective Plantings?

- Weather (wet spring makes planting difficult)
- Crops competing for acres planted at different times
- Relative prices can change between March and June

# Grain Stocks Report

- Issued quarterly
- How much of selected commodities are in storage in the U.S., by state

## **Pertinent to:**

- Price level (tight stocks → high prices)
- Calendar spreads between futures maturities

When stocks are tight, nearby futures should exceed distant futures (incentivizes bringing stocks to market).

## World Agricultural Supply and Demand Estimates

- Released monthly
- USDA's forecasts for U.S. and world supply and use balance sheets
- Covers grains, soybeans and products, cotton, sugar, livestock
- Among the most important and eagerly anticipated reports
- Released at 12pm EST
- Commonly results in limit price moves in futures markets

# WASDE: Lock-up Conditions

*To assure the highly market-sensitive information is released simultaneously to all end-users, and not prematurely to any one, the WASDE report is prepared under tight security in a specially designed area of USDA's South Building. The morning of release, doors in the "lockup" area are secured, window shades are sealed, and telephone and Internet communications are blocked.*

— USDA Office of the Chief Economist

# Trading Places (1983)

The prospect that USDA reports could be leaked is the inspiration behind the final scene in *Trading Places*.

- Eddie Murphy and Dan Aykroyd learn antagonists obtained advance access to a “crop report” for orange juice futures
- They intercept and feed false information
- Antagonists buy futures expecting price to rise
- Report comes out, price crashes
- Murphy and Aykroyd profit, retire to tropical paradise



# Other Important USDA Reports

## Crop Production

- Estimates of yield, acres harvested, total production
- Released in tandem with WASDE

## Crop Progress and Condition

- Issued every Monday during planting, growing, and harvest season
- NASS surveys approximately 4,000 individuals
- Critical information about status of the crop

## Agricultural Marketing Service (AMS)

- Numerous daily and weekly reports
- Regional prices and exports

# USDA Data Sources

# USDA Agencies with Databases

## **NASS** — National Agricultural Statistics Service

- Acres planted, production, yield, price received

## **FAS** — Foreign Agricultural Service

- Production Supply and Distribution (PSD) report
- Much of WASDE archived here

## **ERS** — Economic Research Service

- Cost and returns data

## **AMS** — Agricultural Marketing Service

- Local prices

# Summary of USDA Reports

Report	Content
Prospective Plantings	Farmers' planting intentions (March)
Acreage	Planted acres (June)
WASDE	World supply and demand estimates (Monthly)
Crop Production	Acres and yield (with WASDE)
Crop Progress	Weekly crop status (Mondays)
Grain Stocks	Quarterly storage levels

# Summary

- Follow professional market commentary (Farmdoc Daily, WILL, Market to Market)
- CME Group is the primary futures exchange for U.S. ag commodities
- Learn futures ticker conventions: [Symbol][Month][Year]
- USDA reports move markets—follow them closely
- Key reports: Prospective Plantings, Acreage, WASDE, Crop Production, Crop Progress, Grain Stocks
- USDA databases (NASS, FAS, ERS, AMS) provide historical data for analysis