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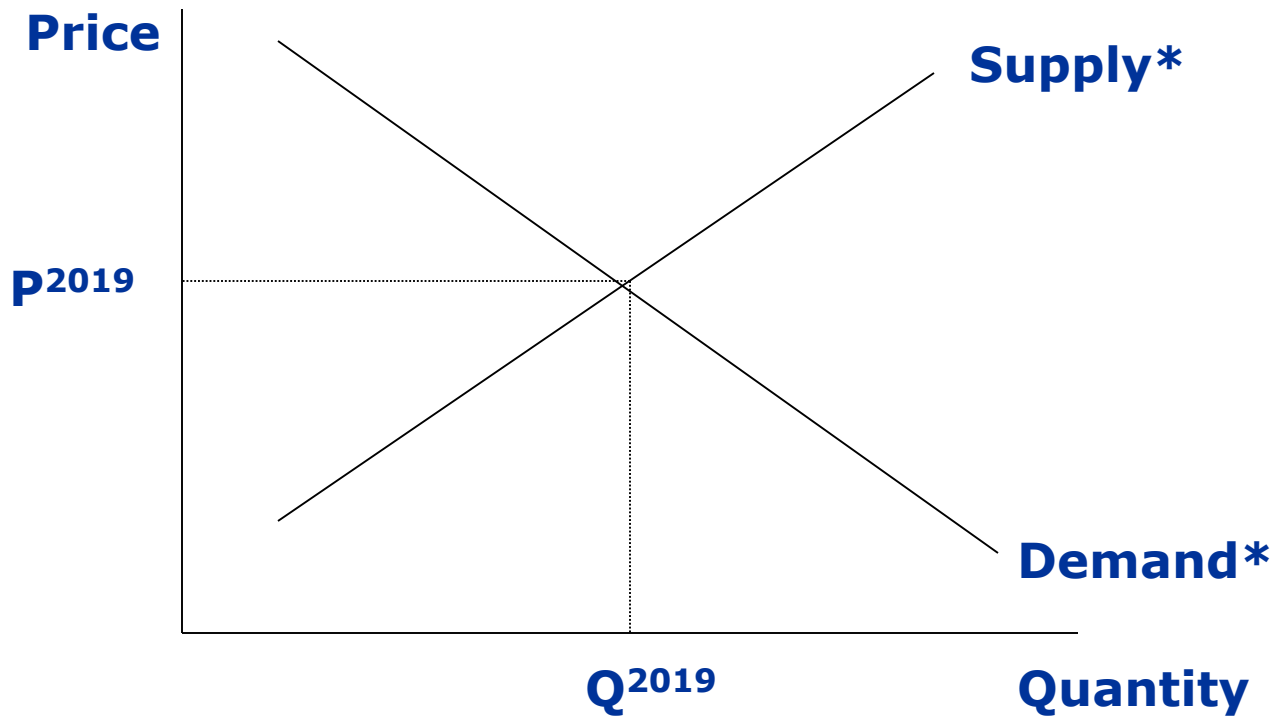
Value of USDA Reports for Market Outlook

Scott H. Irwin

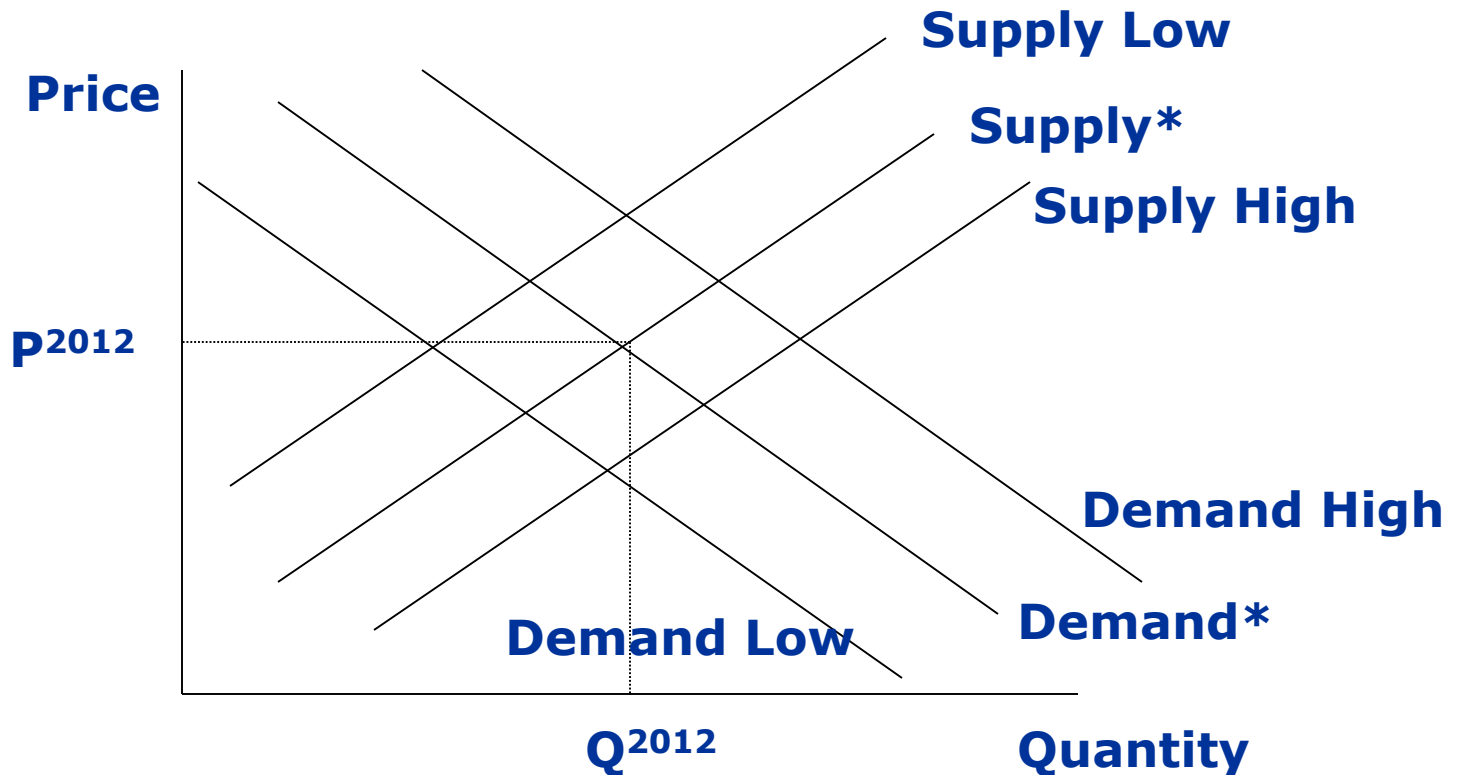
The Pricing Problem in Crop Markets Hieronymus (1977, p. 141)

“Prices of seasonally produced commodities are speculative. The supply that is harvested during a short period of time must be made to last until the next crop is available. At the same time, the supply must be used down to a small carryover going into the following year. This job of rationing the supply is a function of price. There is one and only one average price that will make the supply just clear the market. If the price is held at higher levels, some of the users will be priced out of the market and there will be more than a necessary carryover. If the price is held at lower than the equilibrium level, additional users will be drawn into the market and the supply will not last until the next harvest year.”

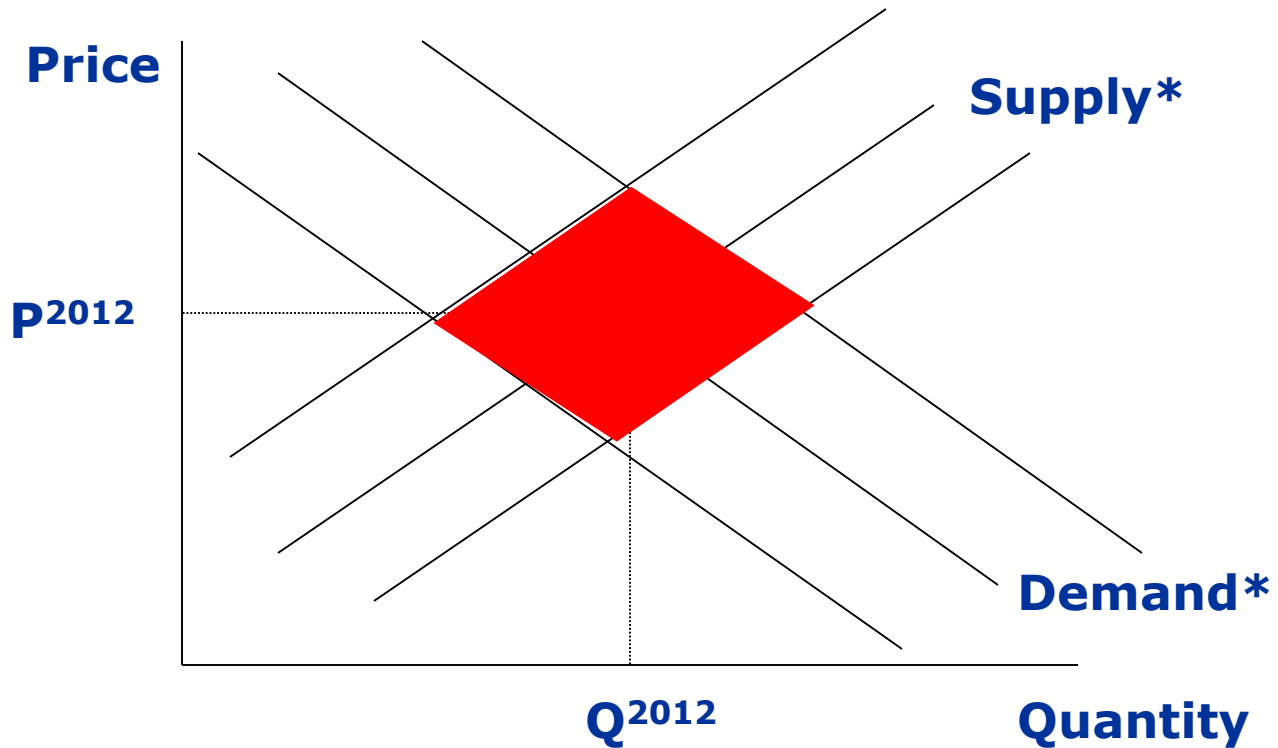
Market Equilibrium with *Perfect Information*



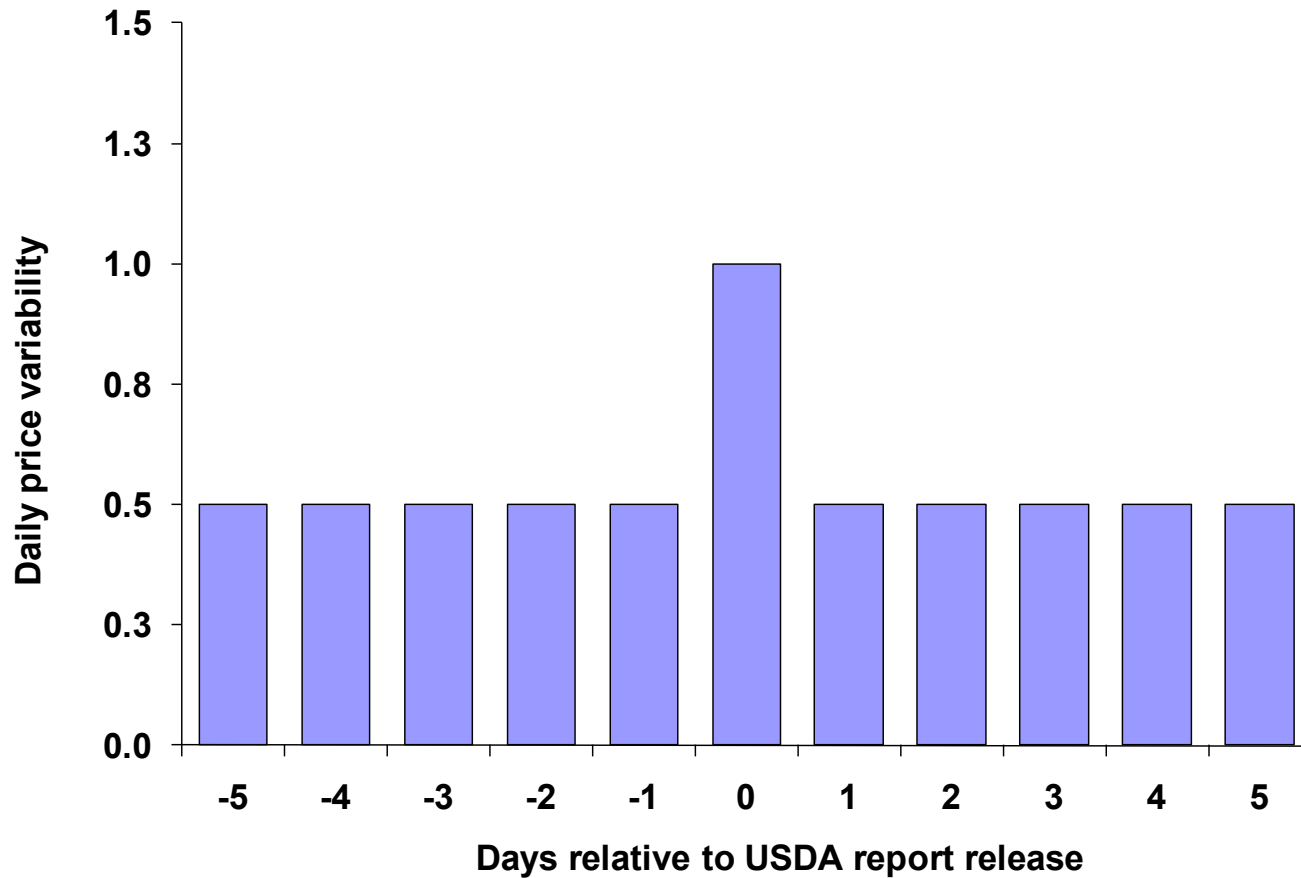
Market Equilibrium with *Imperfect Information*



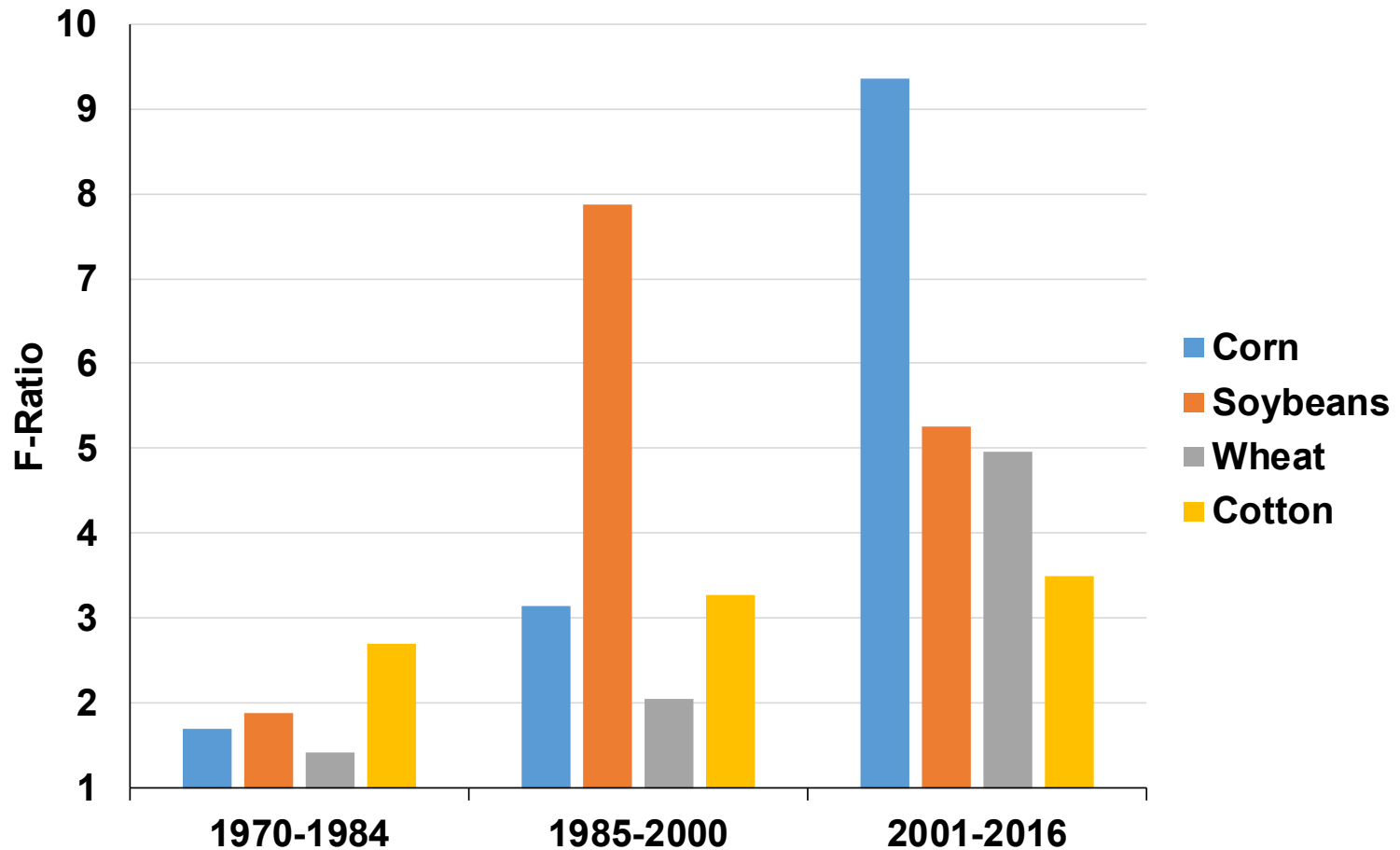
Market Equilibrium with *Imperfect Information*



Hypothetical Price Impact of Valuable USDA Market Outlook Information



Price Reaction in Grain Futures Markets to the Release of USDA Prospective Planting and March 1 Grain Stocks Reports



Price Reaction in Commodity Futures Markets to the Release of USDA Crop Production Reports

