PN-ACG-468

MALR Ministry Of Agriculture & Land Reclamation
USAID US Agency For Int. Development
APRP Agricultural Policy Reform Program
RDI Reform Design and Implementation

وزارة الزراعة واستصلاح الأراضي
الوكالة الأمريكية للتنمية الدولية
مشروع إصلاح السياسات الزراعية
وحدة تصميم وتنفيذ السياسات

APRP - RDI Unit

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Market Information for Situation & Outlook Reporting

Prepared by
Dr. Lee F. Schrader

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Reform Design and Implementation Unit
Development Alternatives Inc. Group: Office for Studies & Finance, National Consulting Firm, Development Associates, Cargill Technical Services, The Services Group, Training Resources Group, Purdue University, University of Maryland

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ACRONYMS LIST

ACRONYM	*DESCRIPTION*
AC	Agricultural Census
AERI	Agriculture Engineering Research Institute
AHD	Aswan High Dam
AIC	Agricultural and Irrigation Committee of the People's Assembly
ALCOTEXA	Alexandria Cotton Exporters Association
APRP	Agricultural Policy Reform Program
ARC	Agriculture Research Center
ATUT	Agricultural Technology Utilization and Transfer Project
AY	Agricultural Year Locator (October 1st to September 30th of the following year)
BOD	Board of Directors
CAGA	Central Administration for Governorates Affairs
CAPMAS	Central Agency for Public Mobilization and Statistics
CAPQ	Central Administration for Plant Quarantine, MALR
CAWD	Central Administration for Water Distribution
CBE	Central Bank of Egypt
CIDA	Canadian International Development Agency
CIF	Cost, Freight and Insurance
CMA	Capital Market Authority
Co.	Company
COP	Chief of Party
CSPP	Egyptian-German Cotton Sector Promotion Program
CTS	Cargill Technical Services
DA	Development Associates, Inc.
DAI/B	Development Alternatives, Inc./Bethesda
ELS	Extra Long Staple Cotton
EMEPAC	Egyptian Company for Production Marketing and Exporting Ag. crops
ERSAP	Economic Reform and Structural Adjustment Program
ESAs	Employee Shareholder's Association
ESOPs	Employees Stock Ownership Program
EU	European Union
FAO	Food and Agricultural Organization of the United Nations

ACRONYM	*DESCRIPTION*
FDIs	Foreign Direct Investments
Fed.	Feddan = 4200 square meter
FIHC	Food Industries Holding company
FOB	Free on Board
FSR	Food Security Research Unit
GA	General Assembly
GASC	General Administration for Supply Commodities
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GOE	Government of Egypt
HC	Holding Company
IDA	International Development Association
IFC	International Financial Cooperation
IFPRI	International Food Policy Research Institute
IPPC	International Plant Protection Convention
IPO	Initial Public Offering
IIMI	International Irrigation Management Institute
IR	Intermediate Results
Kg.	Kilogram
Kt.	Kentar
Libra	Pound of 0.45359 kilogram, also abbreviated as lb.
LE	Egyptian Pound
LK	Lint Kentar of cotton, 50 kgs.
LS	Long Staple cotton
MALR	Ministry of Agriculture & Land Reclamation
MENA	Middle East North Africa
MEIC	Ministry of Economy & International Cooperation
MIMW	Ministry of Industry & Mineral Wealth
MMT	Million Metric Ton
MoTS	Ministry of Trade & Supply
MPE	Ministry of Public Enterprises
MPWWR	Ministry of Public Works & Water Resources
MLS	Medium-Long Staple cotton

ACRONYM	*DESCRIPTION*
MVE	Monitoring, Verification & Evaluation Unit
NARP	National Agricultural Research Project (a former USAID Project)
NBE	National Bank of Egypt
NCF	National Consulting Firm
NGO	Non-Governmental Organization
O & M	Operation & Maintenance
OSAF	Office for Studies And Finance
PA	People's Assembly
PBDAC	Principal Bank for Development and Agricultural Credit
PEO	Public Enterprise Office
P&L	Privatization & Liberalization
PIDP	Partnership In Development Project
PMU	Project Management Unit
PPC	Program Planning Committee
PRA	Participatory Rapid Appraisal
PU	Purdue University
RDI	Reform, Design & Implementation Unit
ROW	Rest of the World
SCC	Sugar Crops Council
SCRI	Sugar Crops Research Institute
SIIC	Sugar and Integrated Industries Company
SK	Seed Kentar of cotton (157.5 kgs.)
SS	Short Staple cotton
STTA	Short Term Technical Assistance
SWG	Sugarcane Working Group
TA	Technical Assistance
TAMIS	Technical & Administrative Management Information System
TAT	Technical Assistance Team
TF	Task Forces
TO	Training Officer
TOR	Terms of Reference
TNA	Training Needs Assessment
TRG	Training Resources Group

ACRONYM	*DESCRIPTION*
TSG	The Services Group
UMD	University of Maryland
USAID	United States Agency for International Development
US$	United States Dollar
WB	World Bank
WTO	World Trade Organization
WUA	Water User Association

OBJECTIVES

There were two objectives for this assignment:

Objectives: 1) To train a group of analysts from the Central Administration for Economic Affairs and the Agricultural Economics Research Institute to collect, understand, and analyze market information from the Internet and to produce reports analyzing these data. 2) To meet with Ministry and private sector market participants to assure that the reports generated meet their needs.

Training Participants were:

Eng. Ibrahim Labib
Eng. Amira Sayed Galal
Eng. Ahmed Abdallah Khater
Eng. Ahmed Abdel Halim Elsheikh
Dr. Soheir Mostafa Mohammed
Dr. Ahmed Abou Rawash
Mr. Abd El Wahab Shehata
Mr. Shaban Aly Salem
Mr. Ossama Mansour El Gindy

The task was undertaken as a project for the group to produce a set of prototype reports. Early in the process participants were divided into four groups to work on cotton, wheat, oilseeds, and corn. An attempt was made to pair people with prior experience with computers and the Internet with persons with less experience. We then alternated between lecture and work on the assigned reports, with less time spent in lecture as the project proceeded.

The group varied greatly with respect to knowledge of the Internet and use of the computer. In retrospect, the process should have been started at a more elementary level. However, even the least prepared seemed to be fairly comfortable with the process of obtaining information from the Internet by the end of week two and we can expect that the teams will be able to select from the data and commentary from other reports to create a sensible whole. Data interpretation requires more time; the Tools section of this report provides a sketch of the training still needed.

MARKET INFORMATION

The objective of reporting market information and outlook is to improve decision making by both policy makers and private traders. Market reporting has many characteristics of a public good. Once available, the cost of additional use is nearly zero and once known it is difficult to control its distribution. Market information has high value to a few if it is exclusive. Its value to the individual is low when all have access. Yet, its greatest value to society is realized when all market participants are well informed. The extent to which markets are transparent (all participants can know prices and other market conditions) affects the efficiency with which products are

produced and distributed. Unknown alternatives cannot be exploited. A case can be easily made that providing market information is an appropriate role for government.

Information on prices, production, and trade, and forecasts thereof are directly useful to decision makers, if timely and accurate. Made into reports, this information serves a role in economic education. Traders tend to focus on the immediate situation and sometimes lose sight of the larger picture. The perspective provided in a regular market report that includes longer term analyses and clear discussion of the logic of these analyses can be an important product of a market information program. The understanding of markets is particularly important in Egypt where markets are in the process of being liberalized.

On use of U.S. data

Based on my experience and a review of the market reports that had been produced from information found on the Internet in Egypt, I reached the conclusion that the starting point for the development of Egyptian capacity to generate Internet-based market reports should be U.S. Department of Agriculture (USDA). The information is readily available, comprehensive, and produced on a regular schedule. The World Agricultural Supply and Demand Estimate (WASDE) reports, issued monthly by USDA's World Agricultural Outlook Board (WAOB), provide an excellent base for the Egyptian reports. These WASDE reports, while focused on the U.S. situation, provide excellent world summaries including detail on major exporting and importing countries. Foreign Agricultural Service (FAS) also releases detailed commodity reports on a regular schedule coincident with the WASDE reports.

Similarly, the U.S. commodity exchanges and USDA's Agricultural Marketing Service (AMS) "Market News" provide useful price benchmarks. "Market News" produces hundreds of reports, primarily focused on U.S. domestic markets. However, a few of these reports contain information directly relevant for world markets, such as grain prices at port locations and quantities of grains inspected for export.

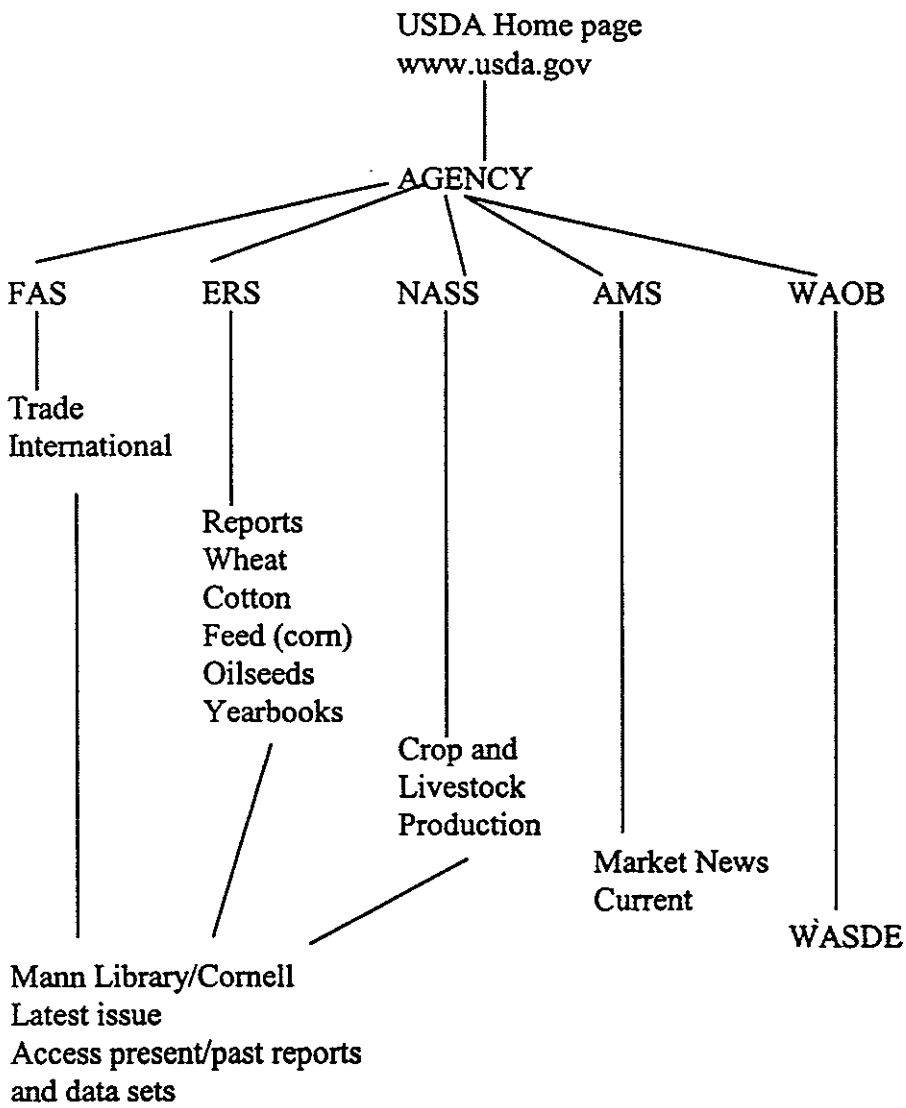
Regular Situation and Outlook reports for major commodities are produced by Economic Research Service (ERS). These reports provide recent price and production data and forecasts of future prices and production. ERS Situation and Outlook reports, both current and historical, are available through the Mann Library of Cornell University. Data sets to support analysis of longer time series are also provided as "yearbooks." These data sets are updated infrequently and must be supplemented with data from the more frequent ERS reports.

The National Agricultural Statistics Service (NASS) provides data on domestic production including forecasts of production and estimates of crop condition during the growing season. In most cases the WASDE reports will provide the data from NASS of most interest for the international markets. Weekly crop condition reports may be useful to the trade between the regular monthly crop reports.

Most of the NASS, ERS outlook, and the WASDE reports may be received by e-mail as released at no charge. Instructions for this process are in the USDA web pages.

Paths to USDA data

The diagram below provides some guide to the structure of the USDA on-line information.



FAS: http:///www.fas.usda.gov/marketnews.htm
Mann Library/Cornell: http://usda.mannlib.cornell.edu:80/usda/

TOOLS USED IN MARKET ANALYSIS

To succeed at market analysis, analysts **must understand futures, options, seasonal adjustments, and price relationships.** The following is a brief sketch of each of these tools showing its relationship to the total analysis. Additional training in how to use these tools is recommended.

Futures Markets

Futures are more useful to commodity traders than ordinary forward commercial cash contracts which entail delivery of a commodity on a specified date at a specified price, because they can be substituted for a cash trade. A forward cash contract remains the obligation of the original trader unless offset with the specific buyer or seller of the original contract. The cash contract can be sold to another party, but the original trader remains responsible until the contract is completed. While an exchange of futures will have specific parties taking opposite sides of the trade at the time of the original transaction, this is of no concern after the trade is made—it is as if the contract was made with the exchange clearinghouse. An offsetting transaction (buy the contract month that was sold or sell the contract month which was bought) clears the trader's obligation to make or take delivery. Ordinarily, one does not take a position in a futures contract expecting to make or take delivery; the position will be closed before either action is required.

The futures contract is marked to the market each day based on the **settlement price** for the day. Futures trading reports usually include **the session opening, the high, the low, closing, and settlement prices.** The settlement price is the average of prices in the time period designated as the closing period of the trading session. Often the settlement price is what is reported as the close price. If the price has moved against the position of a trader, he or she must provide additional margin money to assure that the contract will be completed.

The buyer of futures contracts not yet offset by a sale is said to have a **long position.** Similarly, the seller of contracts not yet offset by a purchase has a **short position.** One may buy (be long on March corn) or sell (be short on March corn). For each month for which futures are traded there are only two positions possible. The total number of contracts open at any given time is called **open interest. Volume of trading** is just that, the number of contracts traded in a given trading day, week, or other period.

A hedger uses futures to set a price for a future cash transaction. For example, a grain dealer may protect his handling and storage margin by selling futures as the grain is purchased with the futures contracts repurchased as the grain is sold in the cash market. If the price goes up there will be a loss on the futures sale but an offsetting gain on the cash side. Similarly, if the price decreases there is a profit on the futures offsetting the loss on the cash side. This depends on a reliable relationship between the cash and futures prices. This difference is called the **basis.**

One must refer to the futures contract terms for the **size of contract, quality, and locations of deliveries** specified. For example, the Chicago Board of Trade corn

contract is for 5000 bushels of number 2 yellow corn. Summaries of the contract terms are available on-line from the exchanges.

Futures prices from major exchanges in the U.S. and other financial centers provide excellent benchmark prices and typically provide charts that can be used directly in reports. Price and other statistics related to trade on the exchange are typically available on-line. Some of the important exchanges are:

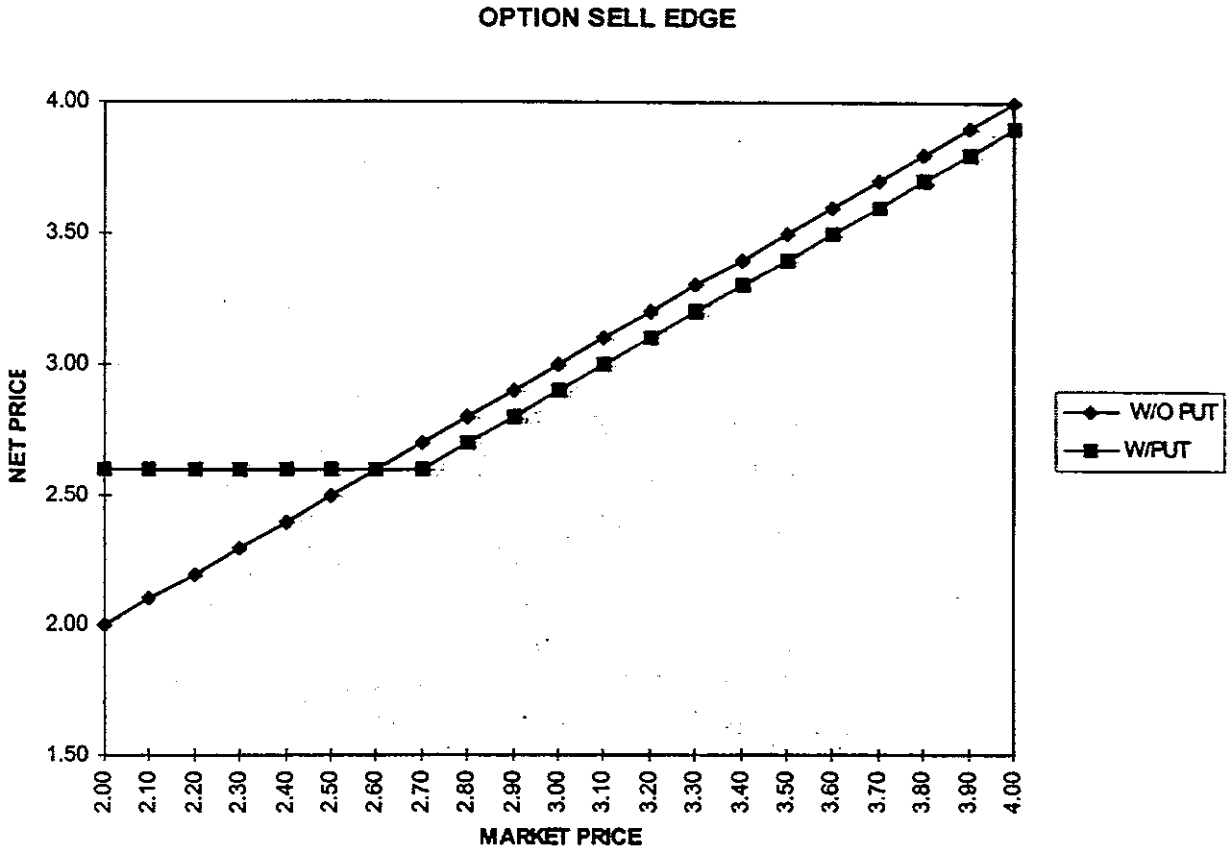
Chicago Board of Trade	www.cbot.com
Chicago Mercantile Exchange	www.cme.com
New York Cotton Exchange	www.nyce.com
Coffee Sugar and Cacao Exchange	www.csce.com
Minneapolis Grain Exchange	www.mgex.com
Kansas City Board of Trade	www.kcbt.com
London International Financial Futures Exchange	www.liffe.com
Winnipeg Commodity Exchange	www.wce.mb.ca

Options

Options represent the rights to buy or sell a futures contract at a specific price (the **strike price**). These rights are called puts and calls. A **put** is the right to sell at a specific strike price. A **call** is the right to buy at the strike price. There is a buyer and seller for each put and call and there is a put and a call for each strike price. For futures, there are just two positions, long and short for each contract month. In options there may be a buyer and seller for puts and calls for all strike prices that are traded.

The buyer of a put or call has the right to exercise the option to sell or buy but need not do so. The holder (buyer) can exercise the option if it is to his advantage or let the option expire unused if it is not to his advantage. The writer (seller) of the option must buy a futures contract from the holder of a put or sell a futures contract to the holder of a call at the strike price. If the holder does not exercise the option, the writer has the premium (price received for the option). If the holder exercises the option, the writer must pay the price. In fact, the writer is required to keep sufficient margin with the exchange to assure the completion of the transaction. The buyer of options does not have to maintain a margin. A put provides a minimum (floor) price for the holder and a call gives a maximum (ceiling) price for the holder. In both cases it allows the option holder to take advantage of more favorable prices if such should occur.

Consider the situation of a corn producer who expects the price of corn to increase but wishes to fix a floor of $2.70 per bushel under the price he receives for corn. Suppose he can buy a $2.70 put option (right to sell at $ 2.70) at a premium of $0.10. Ignoring the difference between the futures and cash prices (the basis), the net return to the producer (Y axis) at various actual corn futures prices at time of cash sale (X axis) with and without the option hedge are shown below. One way to view the transaction is that the producer has purchased (for $0.10) insurance that the price will not be under $2.70. This transaction and the implications in rising and falling markets are shown graphically here.



Seasonal adjustment

Analysts want to see a normal pattern of change in the price of a commodity during a year. Usually they are interested in a crop year but a calendar year could be useful as well. A normal seasonal pattern (the factors) helps one decide whether the trend is up or down and is part of complete marketing strategy. The following illustration shows a very simple ratio to moving average method for monthly data. If there is a regular seasonal pattern in a series (price, production, etc.), a moving average of the variable over a full year will not show a seasonal pattern. There is always one of each month or quarter in the year-long average.

Think of a model where the observed series is made up of 4 components: trend, cycle, seasonal, and an irregular portion.

$$O = T \times C \times S \times I$$

If we can generate a series that is free of the seasonal and irregular components, it would be T x C. Then, if we divide the original series by the variable without the seasonal and irregular components, we can isolate the seasonal and irregular components.

$$S \times I = (T \times C \times S \times I) / T \times C$$

Step 1. Calculate a moving average

MA(t)=(Sum of O(t-5) to O(t+6))/12

We want the MA to be centered; that is, the MA should contain data for the same period before and after the observation we want to adjust. To do the full centering we should use the average of the t-5 to t+6 and the t-6 to t+5 MAs. The example does not do that last step.

Step 2. Calculate the ratio of the original observation to the moving average

RTMA(t)=O(t) / MA(t)

Step 3. Adjust the RTMAs to sum to 12 (or 4 if quarterly) for each year.

Adj RTMA = RTMA (t) x (12 / Sum of RTMA)

Step 4. Calculate the average of the adjusted seasonal factors for the number of years desired. In the example we use 10 years. That is, calculate the average of the Adj RTMAs or each month for the 10 years. Five years is a reasonable minimum. This step removes the irregular component. We refer to these as the seasonal factors.

More complete methods for seasonal adjustment will also make corrections for trends in the seasonal factors.

Step 5. To calculate the seasonally adjusted series (OSA) (not shown in the example)

OSA= O / seasonal factors

Most of the reported macroeconomic data for the U.S. are seasonally adjusted.

Corn, No. 2 yellow: Gulf Ports (Barge delivered to Louisiana Gulf), $/bu.

Year	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Avg
1984	3.31	3.08	2.98	2.90	3.03	3.04	3.05	3.05	2.96	2.95	2.92	2.67	3.00
1985	2.59	2.50	2.69	2.75	2.72	2.63	2.56	2.57	2.68	2.63	2.12	1.85	2.52
1986	1.68	1.66	1.83	1.81	1.73	1.70	1.83	1.89	2.06	2.06	1.95	1.81	1.83
1987	1.86	1.99	2.08	2.11	2.20	2.23	2.29	2.28	2.29	3.05	3.22	3.02	2.39
1988	3.08	3.07	2.89	2.99	3.01	2.99	3.02	2.93	2.99	2.87	2.73	2.57	2.93
1989	2.60	2.40	2.75	2.75	2.69	2.70	2.72	3.01	3.08	3.05	2.92	2.79	2.79
1990	2.59	2.55	2.54	2.60	2.68	2.70	2.77	2.80	2.69	2.65	2.67	2.79	2.67
1991	2.76	2.76	2.72	2.71	2.70	2.89	2.96	2.77	2.77	2.80	2.61	2.48	2.74
1992	2.50	2.40	2.42	2.39	2.39	2.40	2.48	2.55	2.50	2.36	2.59	2.55	2.46
1993	2.57	2.68	2.94	3.08	3.22	3.14	3.05	2.88	2.81	2.85	2.51	2.44	2.85
1994	2.48	2.44	2.43	2.61	2.72	2.72	2.79	2.79	2.84	3.04	3.23	3.21	2.78
1995	3.32	3.57	3.63	3.76	4.00	4.18	4.34	4.80	5.17	4.99	5.07	4.73	4.30
1996	3.69	3.27	2.97	2.97	3.02	3.08							

TWELVE MONTH MOVING AVERAGE

1984						3.00	2.94	2.89	2.86	2.85	2.82	2.79
1985	2.75	2.71	2.69	2.66	2.59	2.52	2.45	2.38	2.31	2.23	2.15	2.07
1986	2.01	1.95	1.90	1.85	1.84	1.83	1.85	1.88	1.90	1.92	1.96	2.01
1987	2.04	2.08	2.10	2.18	2.28	2.39	2.49	2.58	2.64	2.72	2.79	2.85
1988	2.91	2.96	3.02	3.01	2.97	2.93	2.89	2.83	2.82	2.80	2.77	2.75
1989	2.73	2.73	2.74	2.75	2.77	2.79	2.79	2.80	2.78	2.77	2.77	2.77
1990	2.77	2.76	2.72	2.69	2.67	2.67	2.68	2.70	2.72	2.73	2.73	2.74
1991	2.76	2.76	2.76	2.78	2.77	2.74	2.72	2.69	2.67	2.64	2.62	2.57
1992	2.53	2.52	2.49	2.46	2.46	2.46	2.47	2.49	2.53	2.59	2.66	2.72
1993	2.77	2.80	2.82	2.86	2.86	2.85	2.84	2.82	2.78	2.74	2.70	2.66
1994	2.64	2.63	2.64	2.65	2.71	2.78	2.85	2.94	3.04	3.14	3.24	3.36
1995	3.49	3.66	3.85	4.02	4.17	4.30	4.33	4.30	4.25	4.18	4.10	4.01

RATIO TO MOVING AVERAGE

	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	
1984						1.02	1.04	1.06	1.03	1.04	1.03	0.96	1.00
1985	0.94	0.92	1.00	1.03	1.05	1.04	1.05	1.08	1.16	1.18	0.99	0.89	0.97
1986	0.84	0.85	0.96	0.98	0.94	0.93	0.99	1.01	1.09	1.07	0.99	0.90	1.04
1987	0.91	0.96	0.99	0.97	0.96	0.94	0.92	0.88	0.87	1.12	1.16	1.06	1.02
1988	1.06	1.04	0.96	0.99	1.01	1.02	1.05	1.03	1.06	1.02	0.98	0.93	0.99
1989	0.95	0.88	1.00	1.00	0.97	0.97	0.98	1.08	1.11	1.10	1.05	1.01	0.99
1990	0.93	0.93	0.93	0.97	1.00	1.01	1.03	1.04	0.99	0.97	0.98	1.02	1.02
1991	1.00	1.00	0.98	0.98	0.97	1.05	1.09	1.03	1.04	1.06	1.00	0.96	0.99
1992	0.99	0.95	0.97	0.97	0.97	0.98	1.01	1.02	0.99	0.91	0.97	0.94	1.03
1993	0.93	0.96	1.04	1.08	1.13	1.10	1.07	1.02	1.01	1.04	0.93	0.92	0.98
1994	0.94	0.93	0.92	0.98	1.00	0.98	0.98	0.95	0.93	0.97	1.00	0.95	1.04
1995	0.95	0.98	0.94	0.94	0.96	0.97	1.00	1.12	1.22	1.19	1.24	1.18	0.95

CORRECTED RATIOS

		Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
1985	0.92	0.90	0.97	1.01	1.02	1.01	1.02	1.05	1.13	1.15	0.96	0.87	12.00
1986	0.87	0.88	1.00	1.02	0.98	0.96	1.03	1.05	1.13	1.11	1.03	0.94	12.00
1987	0.93	0.98	1.01	0.99	0.98	0.96	0.94	0.90	0.89	1.15	1.18	1.08	12.00
1988	1.04	1.02	0.94	0.98	1.00	1.01	1.03	1.02	1.05	1.01	0.97	0.92	12.00
1989	0.95	0.87	1.00	0.99	0.96	0.96	0.97	1.07	1.10	1.09	1.05	1.00	12.00
1990	0.95	0.94	0.95	0.98	1.02	1.03	1.05	1.05	1.01	0.99	1.00	1.03	12.00
1991	0.99	0.99	0.97	0.96	0.96	1.04	1.07	1.01	1.02	1.05	0.98	0.95	12.00
1992	1.01	0.98	1.00	1.00	1.00	1.00	1.03	1.05	1.01	0.94	1.00	0.96	12.00
1993	0.91	0.94	1.02	1.06	1.11	1.08	1.05	1.00	0.99	1.02	0.91	0.90	12.00
1994	0.98	0.96	0.96	1.02	1.04	1.02	1.02	0.99	0.97	1.01	1.04	0.99	12.00
1995	0.90	0.92	0.89	0.89	0.91	0.92	0.95	1.06	1.15	1.13	1.17	1.12	12.00

TEN YEAR AVERAGE OF FACTORS 11986

0.95	0.949	0.974	0.98	0.997	0.998	1.015	1.020	1.032	1.049	1.033	0.990	12.00
	9											

Price relationships in time

Understanding the relationships of prices in time is a key concept in the interpretation of prices and price patterns. The fundamental relationship is that price in time period (t+1) is less than or equal to the price in the prior period (t) plus the cost of storage (S), including financial costs from period (t) to period (t+1):

$$P(t+1) <= P(t) + S$$

The relationship is an equality if storage takes place at the location of the price. If the price difference is greater than storage costs, someone will buy in t for sale in t+1. This analysis assumes complete knowledge. Given imperfect knowledge, the relationship is between price at one time and expected price in the next period (PE (t+1)) is given by:

$$PE(t+1) <= P(t) + S$$

If the price difference is greater than storage, traders with the higher price expectation will bid up the current price and the relationship is maintained (speculative motives). We expect this general relationship to hold between futures prices at any given time. Thus, within a crop year or when storage from one period to another occurs, one cannot regard a futures price as more of a forecast of prices to come than the current price. They are linked by storage costs.

The concept of storage costs is not as simple as it may seem. There are benefits of storage that offset some of the cost. The expected increase in price must more than pay the cost of storage or the stock will not be held. However, there are other reasons to hold stocks (called transaction motives). It is necessary to have stocks to operate a mill. Even if the price is expected to decrease, a going business using a commodity must have some inventory to operate. There is also a convenience yield of stocks. Life is easier with an ample inventory. Thus, it is clear that some stock will be held even when the expected future price is lower than the current price. On the other hand, there is a clear relationship of price differences in time to stock levels.

Price relationships can be modeled using regression techniques. The data on prices can be used in these estimates. Seasonally adjusted data may also be used in analysis. The alternative to using seasonally adjusted data in a regression model is to use 0/1 dummy variables to account for the seasons. The dummy variable method is often preferred because it does uses more of the within-year variation in the data set.

RECOMMENDATIONS

The Egyptian analysts who participated in this training are capable of locating information on the Internet and have located the major reports concerning their commodity. Prototype reports have been produced and evaluated. I recommend that these analysts continue to produce reports on schedule immediately following release of the USDA WASDE reports. These monthly reports should be given limited distribution to people in the Ministry and in the trade with the explicit request for

feedback on the relevance of the reports and suggestions for improvement. The act of producing regular reports and following the commodity developments between reports will give the analysts the confidence to provide their own interpretation of events. This perspective can come only with practice.

Commodity Report Format

The following report format is suggested as a starting point for a regular monthly report for each major commodity following the release of the USDA WASDE report within a few days after the 10th of each month.

1. Summary comments
    - Price trend
    - Production developments
    - Use trends

Price trends are readily apparent in the futures prices and the supply and use trends are clear from the USDA reports.

2. Current prices
    - Futures prices with chart of near contract
    - Cash prices at key U.S. export locations
    - Cash prices at other locations where available and applicable

These prices should be reported as quoted and per MT.

3. World Supply and Use Data
    - USDA World Agricultural Supply and Demand Estimates
    - USDA, FAS Data where greater detail is desired
    - Other data where available

4. Analysis

These analyses will vary from month to month. They should explore price relationships and should provide opportunities to accomplish economic education. They should provide a longer perspective than is likely to be provided in earlier sections of the report. For example:

- Seasonal price patterns
- Scatter chart of price and production or stocks
- Chart production or price trend
- Chart relationships among prices or tables of price correlations

Options prices are not recommended for inclusion in regular reports except for cotton. The exception is because of the potential for use of options to reduce the government of Egypt's exposure to losses from floor prices.

Unfortunately, in most cases it will not be feasible to use reports directly as found on the Internet in reports. Some reformatting and restating of units will be required to provide an easy to use report even if it is issued in English.

Timeliness of reports is very important. Reports should be made as soon as possible after release of the WASDE report. The next working day after release should be the

target for production of the Egypt report. If report templates are in place, the report can be generated in one day.

After about four to six months, a consultant should be brought back to evaluate the project and answer the many questions that the Egyptian team members may have and to hear their ideas for customizing analysis and report preparation. The consultant also should provide additional training in the use of the tools mentioned in this report. This training will greatly enhance the capability of the Egyptian analysts to provide more extensive analysis.

Once the report cycle is established and the bugs are worked out of the process, the problem of translation to Arabic must be addressed.

The lack of local prices reported on a weekly or monthly basis limits the ability to assess the relationships of key international prices and local prices that are necessary to make best use of the international data. A high priority should be given to development of price reports at key trading points for important Egyptian commodities. A small sample of cooperators at that level could be used to generate weekly price reports at reasonable cost.

Other suggestions

- Watch the dates on reports. Out-of-date reports can be misleading. Older reports must be used with care.
- Don't use abbreviations or acronyms that are not defined in the report. Make all table and chart titles complete.
- Be sure of the sources of what you use and credit (blame) the source.
- If the reports are perceived as valuable they will be copied in black and white by the receivers. Make sure that it still looks good in black and white. It's the content that matters.
- The more you can download and copy into reports, the faster the report can be generated and fewer keying errors will be reduced.
- Work toward converting all dates and prices into dollars and metric ton units. Further conversion may be useful as the system develops but getting the conversions right for this step must come first. Look at the numbers; if they don't make sense, they are probably wrong.

The search for data

The search for data must be a continuing process. The quantity of on-line data is increasing rapidly. One can expect to find new sources frequently. Therefore, some time should be allocated for new search efforts on a regular basis. The on-line search engines should be used to initiate new searches using both the same key words that

have been successful in the past as well as key words discovered using well known sources.

The links to other sites that are found in sites now being used should be explored. They provide some of the best connections.

Use of key words from other languages will also be useful to locate useful sites in other countries. The French and Germans are not likely to produce their sites in English or Arabic! These sites will be more difficult to use; however, once the tables are translated, the numbers will not present a problem.

Usually, if the homepage of an interesting organization is found, one should be able to navigate within a tree structure to find all the pages of interest. The structure, no doubt, is logical in the mind of the designer but may not be to the searcher. Therefore one should be prepared to follow many paths to see where they lead. Then, when a page of interest is located it may be bookmarked separately. Care must be taken that the bookmark is not on a dated report. For example, if one bookmarks the WASDE report on the WAOB path in the USDA homepage, it will be the latest issue. If the issue of that report is found through the Mann Library path and bookmarked, it will always be the same report, not the latest issue.

Some useful Internet sites (and a conversion table for U.S. to metric measures).

U.S. Department of Agriculture
http://www.usda.gov
AMS Market News
http://www.ams.usda.gov/marketnews.htm
FAS Commodity
http://www.fas.usda.gov/market.html
WAOB latest WASDE
http://www.usda.gov/oce/waob/wasde/latest
USDA economics and statistics
http://usda.mannlib.cornell.edu:80/usda/
CBOT
http://www.cbot.com/mplex.htm
CME
http://www.cme.com
FAO Home
http://apps.fao.org/
FAO Ag data
http://apps.fao.org/egi-bin/nph-db.pl?subset=agriculture
Ag sites list
http://www.aec.msu.edu/agecon/fs2/market/contents.htm
Food and Agricultural Policy Inst.
http://www.fapri.missouri.edu/
ZMP Germany
http://www.agranet.de/zmp/zb/zb.htm
World Bank
http://www.worldbank.org

U.S. grains production, use, and prices are often reported using the bushel measure. The bushel, originally a measure of volume, is now used as if it were measure of weight. Prices for grains are most often expressed as dollars per bushel in the domestic trade. Because the bushel was a volume concept, the weight of a bushel varies with the commodity.

Prices on the Chicago Board of Trade (CBOT) given in .25 cent increments reported as eighths. The CBOT corn price may appear as 2732. That means $2.7325 per bushel, 2734 would mean $2.7350 and so on.

Tons used in U.S. domestic reports will be short tons (2000 pounds). For example, the CBOT price of soybean meal is stated as dollars per short ton.

METRIC CONVERSION FACTORS

1 Hectare = 2.4710 Acres 1 Kilogram = 2.2046 Pounds

U.S. Domestic Unit	measure	=	Metric Ton	$1/US unit =$/mT
Wheat & Soybeans	bushels	=	.027216mT	$36.74/mT
Rice	cwt	=	.045360mT	$22.05/mT
Rapeseed & Sunflowerseed	cwt	=	.045360mT	$22.05/mT
Corn, Sorghum & Rye	bushels	=	.025401mT	$39.37/mT
Barley	bushels	=	.021772mT	$45.93/mT
Oats	bushels	=	.014515mT	$68.89/mT
Sugar	short tons	=	.907194mT	$ 1.01/mT
Cotton	480-lb bales	=	.217726mT	$ 4.59/mT
Soybean Meal	short tons	=	.907194mT	$ 1.01/mT

Sorghum may also be quoted in hundredweight (cwt.)