

USDA Perspective: Challenges to Forecasting and Estimating Cotton Supply and Demand

The United States Department of Agriculture (USDA) publishes the World Agricultural Supply and Demand Estimates (WASDE) monthly to provide annual forecasts for supply and use of U.S. and world commodities including cotton. Estimates not only provide a geographical distribution of supply and use but are also pivotal in assessing potential market imbalances. Better understanding of these imbalances aid in price discovery in an absolute (flat price) and relative (basis) sense.

The accuracy of the statistics compiled by USDA analysts are the foundation for developing reliable estimates and forecasts. This presentation discusses the challenges encountered by economists when assessing the quality and accuracy of raw data for analysis. For example, USDA evaluates 2 data sources to formulate exports for the United States. Both sources report different volumes, making it challenging to derive a best estimate. This presentation will use the United States and other countries as examples of how analysts decide upon the best sources as well as best practices in ground truthing published cotton statistics.