COMMODITIES

Discussion of Trading Ranges on USDA Report Days

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Dave Lehman  
Managing Director  
Research & Product Development  
312-930-1875  
david.lehman@cme.group.com

Fred Seamon  
Senior Director  
Research & Product Development  
312-634-1587  
fred.seamon@cme.group.com

Randy Shao  
Economist  
Research & Product Development  
312-648-3795  
renyaun.shao@cme.group.com
Historically, grain and oilseed futures and options markets have been closed when major USDA crop reports are issued. This changed in June 2012 when the CBOT markets were open during the World Agricultural Supply and Demand Estimates (WASDE) and Crop Production reports on June 12, 2012 and the Grain Stocks and Planted Acreage reports on June 29. Some market participants are concerned that having the futures and options market open during major USDA crop reports could result in more volatility as the market tries to digest the contents of these reports. This discussion looks at the evidence observed during these first two report days with markets open to see if any evidence suggests volatility has increased.

This analysis looks at trading ranges during all 2012 trading days, on the days of all the 2012 major USDA crop reports, and on the days of the June crop reports when the futures and options market were open during the release of the reports for the first time to determine whether there exists any evidence to date that volatility has been greater during the June reports. Specifically, the analysis looks at the average daily trading ranges for all 2012 trading days and average trading ranges for all 2012 major USDA crop report days and compares these data with the trading ranges observed on June 12 and June 29 when the futures and options markets were open when the USDA reports were released (see Table 1).

**Effects on Major Grain & Oilseed Contracts**

On the June 12 report date, July and December Corn futures contracts traded at a greater range than the average for all 2012 trading days, but inside the trading range for all 2012 report days. On the June 29 report date, July Corn traded inside the average range for all 2012 report days, but December Corn traded much wider (33 cents per bushel) compared to the average trading range on all 2012 report days (20.44 cents per bushel). This wider range for new-crop corn given ongoing hot and dry weather in the majority of the Midwest. All trading ranges for the July and December contracts were inside the maximum range observed so far in 2012.

On the June 12 report date, July Soybean futures traded in a range greater than the 2012 average, but less than the 2012 report day average (33 cents per bushel versus 24.38 and 39.06 cents per bushel respectively). Interestingly, the November Soybean contract’s trading range on June 12 was inside both the 2012 average and the 2012 report day average. On June 29, however, the July Soybean contract’s trading range (51.75 cents per bushel) was significantly larger than the 2012 average (24.38 cents per bushel) or the 2012 report day average (39.69 cents per bushel) while the November contract’s range (35 cents per bushel) was larger than the 2012 average (30.98 cents per bushel), but still inside the average range on all 2012 report days (36.06 cents per bushel). The wider range for July soybeans on the day the June 29 crop report was released was likely due to continuing concerns about the building U.S. drought and low stocks of old crop soybeans. Also, the largest trading ranges on June 12 and June 29 were well inside the maximum trading ranges observed for all of 2012.

The trading ranges for July and December Wheat futures on June 12 and June 29 were greater than the average 2012 trading ranges for those contracts, but inside the average trading ranges for all 2012 report days. This is not an unexpected result with the winter wheat harvest well underway during these reports and the wheat crop not affected to the same degree by the U.S. drought as the growing corn and soybean crops.
Conclusion

With only two observation dates, it is impossible to determine whether volatility has increased with trade occurring during the release of major USDA crop reports. The trading ranges on the December 2012 Corn futures contract and on the July 2012 Soybean futures contract were much larger on the June 29 USDA Acreage and Stocks report date than the average for all major 2012 report days. However, on this date (June 29) the July 2012 Corn and November 2012 Soybean contracts saw trading ranges inside the average ranges for all 2012 crop reports. Also, the trading ranges on these contracts were inside the average ranges for all 2012 crop reports during the June 12 WASDE and Crop Production reports, suggesting no increase in volatility. Wheat contract trading ranges were also within 2012 crop report day average ranges on both the June 12 and June 29 report days, but with the wheat crop mostly made by the time of these reports, such a result is not unexpected and also suggests trade during these reports did not increase volatility in the Wheat futures market.

Table 1: Average Daily Trading Range in Cents per Bushel

<table>
<thead>
<tr>
<th></th>
<th>July 12 Corn</th>
<th>Dec 12 Corn</th>
<th>Jul 12 Beans</th>
<th>Nov 12 Beans</th>
<th>July 12 Wheat</th>
<th>Dec 12 Wheat</th>
</tr>
</thead>
<tbody>
<tr>
<td>All 2012 Trading Days</td>
<td>15.61</td>
<td>12.67</td>
<td>24.38</td>
<td>30.98</td>
<td>17.85</td>
<td>16.83</td>
</tr>
<tr>
<td>All 2012 Report Days</td>
<td>27.84</td>
<td>20.44</td>
<td>39.69</td>
<td>36.06</td>
<td>28.66</td>
<td>27.00</td>
</tr>
<tr>
<td>June 12</td>
<td>23.50</td>
<td>20.00</td>
<td>33.00</td>
<td>27.00</td>
<td>26.50</td>
<td>23.25</td>
</tr>
<tr>
<td>June 29</td>
<td>26.25</td>
<td>33.00</td>
<td>51.75</td>
<td>35.00</td>
<td>35.00</td>
<td>23.25</td>
</tr>
<tr>
<td>2012 Max</td>
<td>48.00</td>
<td>39.50</td>
<td>62.75</td>
<td>67.00</td>
<td>52.75</td>
<td>50.50</td>
</tr>
</tbody>
</table>
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