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USDA Agricultural Baseline Projections to 2011

Interagency Agricultural Projections Committee

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USDA Baseline 

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Abstract

This report provides long-run baseline projections for the agricultural sector through 2011. Projections cover agricultural commodities, agricultural trade, and aggregate indicators of the sector, such as farm income and food prices. The projections are based on specific assumptions regarding macroeconomic conditions, policy, weather, and international developments. The baseline assumes that there are no shocks due to abnormal weather or other factors affecting global supply and demand. The projections assume that agricultural law of the 1996 Farm Act remains in effect throughout the baseline. The baseline projections presented are one representative scenario for the agricultural sector for the next decade. As such, the baseline provides a point of departure for discussion of alternative farm sector outcomes that could result under different assumptions. The projections in this report were prepared in September through November 2001, reflecting a composite of model results and judgment-based analysis.

Slow U.S. and global economic growth through 2002 and a continued strong U.S. dollar provide a weak backdrop for the agricultural sector in the initial years of the baseline. In addition, large world production and increasing global stocks have pressured prices for some agricultural commodities, such as soybeans and cotton. In contrast, a reduction in global stocks of wheat and coarse grains since the late 1990s has strengthened prices for those grains. U.S. agricultural export value and market cash receipts to U.S. farmers have improved since the late 1990s when large global production and weak global demand pushed prices and trade down. Government payments to the sector, through marketing loan benefits and emergency and disaster assistance, have added to farm income during this period. However, lower farm income is projected over the next several years in the absence of further ad hoc government assistance. Longer run developments in the agricultural sector reflect strengthening domestic and international macroeconomic performance. While strong export competition and a strong U.S. dollar are projected to continue, improving global economic growth, particularly in developing countries, provides a foundation for gains in trade and U.S. agricultural exports, resulting in rising market prices, increases in farm income, and improvement in the financial condition of the U.S. agricultural sector.

Keywords: Projections, baseline, crops, livestock, trade, farm income, food prices.

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A Note to Users of USDA Baseline Projections

USDA long-term agricultural baseline projections presented in this report are a Departmental consensus on a long-run scenario for the agricultural sector. These projections provide a starting point for discussion of alternative outcomes for the sector.

The scenario presented in this report is not a USDA forecast about the future. Instead, it is a conditional, long-run scenario about what would be expected to happen under a continuation of the 1996 Farm Act and specific assumptions about external conditions. The baseline includes short-term projections from the October 2001 *World Agricultural Supply and Demand Estimates* report. Trade projections in this report for 2002/03 incorporate long-term assumptions concerning weather, foreign trend yields, and foreign use and do not reflect short-term conditions that may affect trade that year. The baseline assumes no accession to the World Trade Organization by China or Taiwan. Also, effects of the recent currency devaluation in Argentina are not included.

Critical long-term assumptions are made for:

- U.S. and international macroeconomic conditions;
- U.S. and foreign agricultural and trade policies;
- Growth rates of agricultural productivity in the United States and abroad; and
- Weather.

Changes in assumptions for any of these items can significantly affect the baseline projections, and actual conditions that emerge will alter the outcomes.

The baseline projections analysis was conducted by interagency committees in USDA and reflects a composite of model results and judgment-based analysis. The Economic Research Service has the lead role in preparing the Departmental baseline report. The projections and the report were reviewed and cleared by the Interagency Agricultural Projections Committee, chaired by the World Agricultural Outlook Board. USDA participants in the baseline projections analysis and review include the World Agricultural Outlook Board, the Economic Research Service, the Farm Service Agency, the Foreign Agricultural Service, the Office of the Chief Economist, the Office of Budget and Program Analysis, the Risk Management Agency, the Agricultural Marketing Service, the Natural Resources Conservation Service, and the Cooperative State Research, Education, and Extension Service.

Baseline Projections on the Internet

The new USDA baseline projections are available electronically on the Internet at:

<http://usda.mannlib.cornell.edu/data-sets/baseline/>

Also, the Economic Research Service has a briefing room for baseline projections at:

<http://www.ers.usda.gov/briefing/baseline/>

Baseline Contacts

Questions regarding these projections may be directed to:

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