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USDA Agricultural Baseline Projections to 2007

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USDA Agricultural Baseline Projections to 2007. World Agricultural Outlook Board, Office of the Chief Economist, U.S. Department of Agriculture. Prepared by the Interagency Agricultural Projections Committee. Staff Report No. WAOB-98-1, 132 pp.

Abstract

This report provides long-run baseline projections for the agricultural sector through 2007. Projections cover agricultural commodities, agricultural trade, and aggregate indicators of the sector, such as farm income and food prices. The baseline assumes no shocks and is based on specific assumptions regarding macroeconomic conditions, policy, weather, and international developments. The projections assume that current agricultural law of the 1996 Farm Act remains in effect throughout the baseline. Also, the baseline assumes that the Southeast Asian currency devaluations and related economic slowdowns are confined to that region, affecting growth through 2000, with policy reforms and international financial support leading to a recovery of economic growth in subsequent years. Despite the near-term slowdown in Southeast Asian economies, generally favorable global economic growth is projected in the baseline which, combined with liberalized trade associated with both the GATT agreement and unilateral policy reforms, supports strong growth in global trade and U.S. agricultural exports. Greater market orientation in the domestic agricultural sector under the 1996 Farm Act puts U.S. farmers in a favorable position for competing in the global marketplace. A tightening of the balance between productive capacity and projected demands results in rising nominal market prices, increasing farm income, and stability in the financial condition of the agricultural sector. Management of risk will be important for farmers, reflecting the reduced role of the Government in the sector under the 1996 Farm Act. Consumer food prices are projected to continue a long-term trend of rising less than the general inflation rate. 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 October through December 1997, reflecting a composite of model results and judgmental analysis.

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

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Contents

	Page
A Note to Users of USDA Baseline Projections	iii
Introduction	1
Summary of Projections.....	1
Macroeconomic Assumptions	8
Agricultural Policy Assumptions	26
Crops	38
Livestock.....	67
Farm Income and Farm Financial Conditions.....	77
Food Prices and Expenditures.....	81
Agricultural Trade	83

Features in this Report	
	Page
Unemployment, Inflationary Pressures, and Federal Reserve Board Monetary Policy	10
The Asia Crisis: Baseline Assumptions and Impacts	17
U.S. Acreage Shifts Facilitated by 1996 Farm Act Planting Flexibility	39
New Crop Technology and Implications for the Baseline	42
Dairy Program Changes.....	71
Potential Agricultural Trade Impacts of EU Enlargement.....	88
Potential Agricultural Trade Impacts of WTO Accession by China and Taiwan.....	90
Details of EU Wheat Export Projections.....	102
Effects of Taiwan's Hog Sector Foot-and-Mouth Disease	112

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. Baseline projections are typically developed in conjunction with the analysis for the President's Budget. The next annual projections report is planned for the winter of 1999, following release of the President's Budget for fiscal 2000.

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 the 1996 Farm Act and specific assumptions about external conditions. Trade projections in this report for 1998/99 incorporate long-term assumptions concerning weather, foreign trend yields, and foreign consumption and do not reflect short-term conditions which may impact trade that year.

Critical long-term assumptions include:

- U.S. and international macroeconomic conditions;
- U.S. and foreign agricultural and trade policies;
- Funding for U.S. agricultural export programs;
- Growth rates of agricultural productivity, both in the United States and abroad; and
- Normal (average) weather.

Changes in any of the assumptions 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 judgmental 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 Agricultural Marketing Service, the Natural Resources Conservation Service, and the Cooperative State Research, Education, and Extension Service.

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A Note to Users of USDA Baseline Projections--continued

These new USDA baseline projections will be available electronically on the Internet, updating last year's files, at <http://www.mannlib.cornell.edu/data-sets/baseline/94005/>. Also, an ERS briefing room for agricultural baseline projections has been set up at:

<http://www.econ.ag.gov/Briefing/baseline/>.

Questions regarding these projections may be directed to Paul Westcott, Economic Research Service, Room 5188, 1800 M Street, N.W., Washington, D.C. 20036-5831, phone: (202) 694-5335, e-mail: westcott@econ.ag.gov; Rip Landes, Economic Research Service, Room 5026, 1800 M Street, N.W., Washington, D.C. 20036-5831, phone: (202) 694-5275, e-mail: mlandes@econ.ag.gov; or David Stallings, World Agricultural Outlook Board, Room 5143, 1400 Independence Ave., S.W., Washington, D.C. 20250-3812, phone: (202) 720-5715, e-mail: dstallings@oce.usda.gov.