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WAOB-99-1

# USDA Agricultural Baseline Projections to 2008

Interagency Agricultural Projections Committee

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**USDA Agricultural Baseline Projections to 2008.** 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-99-1, 132 pp.

### **Abstract**

This report provides long-run baseline projections for the agricultural sector through 2008. 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. 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 1998, reflecting a composite of model results and judgmental analysis.

This year's baseline reflects the effects of a number of international factors which have combined to weaken the U.S. agricultural trade outlook for the next 10 years, either by reducing global demand or increasing world supplies. Global supplies for many agricultural commodities are initially large, and expanding production potential in a number of foreign countries result in strong export competition throughout the baseline. The economic crisis in Asia and, to a lesser extent, the near-term economic contraction in Russia contribute to a prolonged period of weak global agricultural demand. Additionally, revised assumptions for China result in lower grain import demand through the baseline. In the initial years of the baseline, much of the U.S. agriculture sector is adjusting to a combination of weak demand and large global supplies. In the longer run, strong export competition and only moderate grain import demand in China continue to influence the baseline projections. Nonetheless, more favorable long-term global economic growth supports gains in trade and U.S. agricultural exports in the last half of the baseline, resulting in rising nominal market prices, gains in farm income, and increased stability 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. Baseline projections are typically made in conjunction with the President's Budget analysis.

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. The baseline reflects major agricultural policy decisions made through mid-November 1998 and includes short term projections from the November 1998 *World Agricultural Supply and Demand Estimates* report. Trade projections in this report for 1999/2000 incorporate long-term assumptions concerning weather, foreign trend yields, and foreign use and do not reflect short-term conditions which may impact trade that year. The baseline projections do not include the 5-year data revisions for agricultural commodities released by USDA's National Agricultural Statistics Service in late-1998 and 1999. Also, the baseline does not reflect effects of the recent currency devaluation in Brazil.

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 U.S. 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 Risk Management Agency, the Agricultural Marketing Service, the Natural Resources Conservation Service, and the Cooperative State Research, Education, and Extension Service.

**--continued**

**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:

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