



United States
Department of
Agriculture

USDA Agricultural Projections to 2020

Office of the
Chief Economist

Interagency Agricultural Projections Committee

World Agricultural
Outlook Board

World Agricultural Outlook Board, Chair
Economic Research Service

Long-term
Projections Report
OCE-2011-1

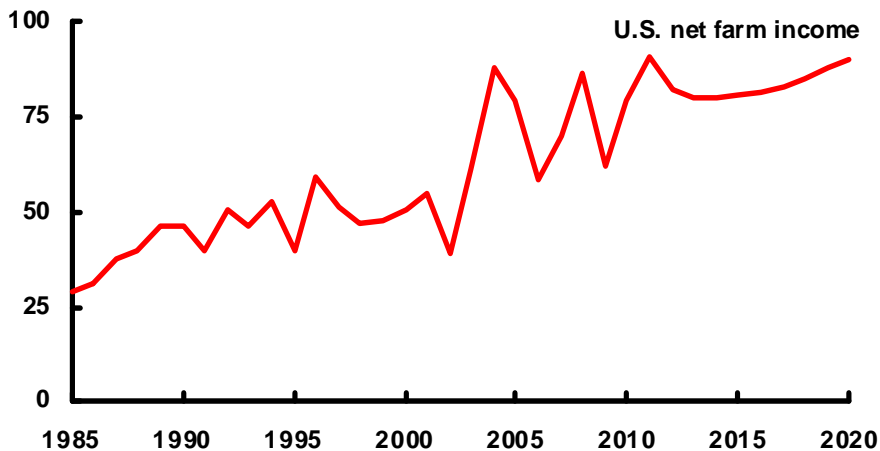
Farm Service Agency
Foreign Agricultural Service
Agricultural Marketing Service

February 2011

Office of the Chief Economist
Office of Budget and Program Analysis
Risk Management Agency
Natural Resources Conservation Service
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**Strong global agricultural demand projected
to keep U.S. net farm income historically high**

Billion dollars



USDA Long-term Projections



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USDA Agricultural Projections to 2020. Office of the Chief Economist, World Agricultural Outlook Board, U.S. Department of Agriculture. Prepared by the Interagency Agricultural Projections Committee. Long-term Projections Report OCE-2011-1, 100 pp.

Abstract

This report provides projections for the agricultural sector through 2020. 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 about macroeconomic conditions, policy, weather, and international developments, with no domestic or external shocks to global agricultural markets. Provisions of current law are assumed to remain in effect through the projection period. The projections are one representative scenario for the agricultural sector for the next decade. The projections in this report were prepared during October through December 2010, reflecting a composite of model results and judgment-based analyses.

Prospects for the agricultural sector in the near term reflect market adjustments to the supply-and-demand conditions underlying recent price increases for many farm commodities. In response, global agricultural production increases in 2011, particularly for grains. Production adjustments are made in the livestock sector during the first several years of the projections in response to high grain and soybean meal prices in 2011. Longrun developments for global agriculture reflect a resumption of steady world economic growth following the global recession and continued demand for biofuels, which combine to support increases in consumption, trade, and prices. Thus, after near-term declines from 2011 record levels, the value of U.S. agricultural exports and net farm income each rise through the rest of the decade. U.S. retail food prices increase faster than the overall rate of inflation rate in 2011 and 2012, reflecting higher food commodity prices and energy costs. Food prices rise less than the general inflation rate over the remainder of the projections, largely reflecting production increases in the livestock sector which limit meat price increases.

Keywords: Projections, crops, livestock, biofuel, ethanol, trade, farm income, food prices, U.S. Department of Agriculture, USDA

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A Note to Users of USDA Long-term Projections

USDA's long-term agricultural projections presented in this report are a Departmental consensus on a longrun 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, longrun scenario about what would be expected to happen under a continuation of current farm legislation and specific assumptions about external conditions. Critical long-term assumptions are made for U.S. and international macroeconomic conditions, U.S. and foreign agricultural and trade policies, and growth rates of agricultural productivity in the United States and abroad. The report assumes that there are no domestic or external shocks that would affect global agricultural supply and demand. Normal weather is assumed. Changes in any of these assumptions can significantly affect the projections, and actual conditions that emerge will alter the outcomes.

The report uses as a starting point the short-term projections from the November 2010 *World Agricultural Supply and Demand Estimates* report. The macroeconomic assumptions were completed in October 2010.

The projections analysis was conducted by interagency committees in USDA and reflects a composite of model results and judgment-based analyses. The Economic Research Service had the lead role in preparing the departmental 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 projections analysis and review include the World Agricultural Outlook Board; the Economic Research Service; the Farm Service Agency; the Foreign Agricultural Service; the Agricultural Marketing Service; the Office of the Chief Economist; the Office of Budget and Program Analysis; the Risk Management Agency; the Natural Resources Conservation Service; and the National Institute of Food and Agriculture.

Long-term Projections on the Internet

USDA's Economic Research Service has a briefing room for long-term projections at:

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

Also, data from the new USDA long-term projections are available electronically at:

<http://usda.mannlib.cornell.edu/MannUsda/viewDocumentInfo.do?documentID=1192>

Contacts for Long-term Projections

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