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World Agricultural
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Long-term
Projections Report
OCE-2008-1

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USDA Agricultural Projections to 2017

Interagency Agricultural Projections Committee

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USDA Long-term Projections

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USDA Agricultural Projections to 2017. 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-2008-1, 104 pp.

Abstract

This report provides projections for the agricultural sector through 2017. 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 report assumes that there are no shocks due to abnormal weather, further outbreaks of plant or animal diseases, or other factors affecting global supply and demand. The Farm Security and Rural Investment Act of 2002, the Energy Policy Act of 2005, and the Agricultural Reconciliation Act of 2005 are assumed to remain in effect through the projections period. The projections are one representative scenario for the agricultural sector for the next decade. As such, the report 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 2007, reflecting a composite of model results and judgment-based analyses.

Longrun developments for global agriculture reflect continued high crude oil prices as well as strong demand for biofuels, particularly in the United States and the European Union (EU). U.S. agricultural projections reflect large increases in corn-based ethanol production, which affects production, use, and prices of farm commodities throughout the sector. Expansion of biodiesel use in the EU raises demand for vegetable oils in global markets. Additionally, steady domestic and international economic growth in the projections supports gains in consumption, trade, and prices. Although export competition is projected to continue, global economic growth, particularly in developing countries, provides a foundation for gains in world trade and U.S. agricultural exports. Combined with increases in domestic demand, particularly related to growth in ethanol production, the results are generally higher market prices. As a result, overall net farm income remains strong and reaches record levels in the latter part of the projections. Higher energy-related costs and agricultural commodity prices push U.S. retail food prices up more than general inflation in the near term, but then food prices increase less than the general inflation rate over the remainder of the projections period.

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

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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.

The report uses as a starting point the short-term projections from the November 2007 *World Agricultural Supply and Demand Estimates* report. 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. Normal weather is assumed. Also, the report assumes no further outbreaks of animal or plant diseases. Changes in assumptions for any of these items can significantly affect the projections, and actual conditions that emerge will alter the outcomes.

The projections in this report assume that biofuel blending tax credits and the 54-cent-per-gallon tariff on imported ethanol used as fuel are extended beyond their currently legislated expiration dates. This is in contrast to President's Budget baseline that assumes those tax credits and the tariff are not extended.

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 has 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 Cooperative State Research, Education, and Extension Service.

Long-term Projections on the Internet

The Economic Research Service of USDA 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

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