



United States  
Department of  
Agriculture

Office of the  
Chief Economist

World Agricultural  
Outlook Board

Baseline Report  
OCE-2006-1

February 2006

# USDA Agricultural Baseline Projections to 2015

## Interagency Agricultural Projections Committee

World Agricultural Outlook Board, Chair  
Economic Research Service  
Farm Service Agency  
Foreign Agricultural Service  
Agricultural Marketing Service  
Office of the Chief Economist  
Office of Budget and Program Analysis  
Risk Management Agency  
Natural Resources Conservation Service  
Cooperative State Research, Education, and Extension  
Service

*USDA Baseline* 

---

## Order Additional Copies of this Report

**Online:** Visit [www.ntis.gov](http://www.ntis.gov).

**By Phone:** Dial 1-800-999-6779. Toll free in the United States and Canada.  
Other areas, call 1-703-605-6220.

Ask for *USDA Agricultural Baseline Projections to 2015 (OCE-2006-1)*.

---

**USDA Agricultural Baseline Projections to 2015.** Office of the Chief Economist, World Agricultural Outlook Board, U.S. Department of Agriculture. Prepared by the Interagency Agricultural Projections Committee. Baseline Report OCE-2006-1, 108 pp.

### **Abstract**

This report provides longrun baseline projections for the agricultural sector through 2015. 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, further outbreaks of plant or animal diseases, or other factors affecting global supply and demand. The Farm Security and Rural Investment Act of 2002 and The Energy Policy Act of 2005 are assumed to remain in effect through the projection period. Additionally, the Agricultural Reconciliation Act of 2005 is assumed to be in force. The baseline projections 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 2005, reflecting a composite of model results and judgment-based analysis.

Steady domestic and international economic growth and gains in population strengthen demand for food and agricultural products in the baseline, providing a favorable demand setting for the U.S. agricultural sector. Additionally, strong expansion of corn-based ethanol production is projected, reflecting renewable fuel provisions in the Energy Policy Act of 2005. Although trade competition will continue to be strong, the United States will remain competitive in global agricultural markets. Thus, increases in global consumption and world trade result in gains in U.S. agricultural exports. Combined with growing domestic demand for agricultural products, overall farm cash receipts rise. Rising production expenses and lower government payments, however, offset gains in cash receipts and other sources of farm income, keeping net farm income relatively stable from 2006 to 2015, after declining from historically high levels in 2004 and 2005.

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

The United States Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, age, disability, and, where applicable, sex, marital status, familial status, parental status, religion, sexual orientation, genetic information, political beliefs, reprisal, or because all or a part of an individual's income is derived from any public assistance program. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD).

To file a complaint of discrimination write to USDA, Director, Office of Civil Rights, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410 or call (800) 795-3272 (voice) or (202) 720-6382 (TDD). USDA is an equal opportunity provider and employer.

## Contents

	Page
A Note to Users of USDA Baseline Projections.....	iii
Baseline Projections on the Internet .....	iv
Baseline Contacts.....	iv
Acknowledgments.....	iv
Introduction.....	1
Overview of Baseline Assumptions and Projections .....	2
Macroeconomic Assumptions.....	8
Crops .....	20
Livestock.....	48
U.S. Agricultural Sector Aggregate Indicators	
Farm Income, Food Prices, and U.S. Trade Value .....	60
Agricultural Trade.....	71
List of Tables .....	107

### Features in this Report

	Page
Global Economy Has Not Slowed With Higher Oil Prices.....	16
Projected Government Payments Reflect Stochastic Estimation Procedure .....	62

## **A Note to Users of USDA Baseline Projections**

USDA long-term agricultural baseline 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 baseline uses as a starting point the short-term projections from the November 2005 *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. The baseline also assumes no further outbreaks of animal or plant diseases. 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 projection 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 projection 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.

### **Baseline Projections on the Internet**

The Economic Research Service of USDA has a briefing room for baseline projections at:

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

Also, data from the new USDA baseline are available electronically at:

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

### **Baseline Contacts**

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@ers.usda.gov](mailto:westcott@ers.usda.gov)

Ronald Trostle, Economic Research Service, Room 5160, 1800 M Street, N.W., Washington, D.C. 20036-5831, phone: (202) 694-5280, e-mail: [rtrostle@ers.usda.gov](mailto:rtrostle@ers.usda.gov)

C. Edwin Young, Economic Research Service, Room 5191, 1800 M Street, N.W., Washington, D.C. 20036-5831, phone: (202) 694-5336, e-mail: [ceyoung@ers.usda.gov](mailto:ceyoung@ers.usda.gov)

David Stallings, World Agricultural Outlook Board, MS 3812, 1400 Independence Ave., S.W., Washington, D.C. 20250-3812, phone: (202) 720-5715, e-mail: [dstallings@oce.usda.gov](mailto:dstallings@oce.usda.gov)

### **Acknowledgments**

The report coordinators, on behalf of the Interagency Agricultural Projections Committee, thank the many analysts in different agencies of USDA for their contributions to the baseline projection analysis and to the preparation and review of this report.