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February 2007

USDA Agricultural Projections to 2016

Interagency Agricultural Projections Committee

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USDA Long-term Projections



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USDA Agricultural Projections to 2016. 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-2007-1, 110 pp.

Abstract

This report provides projections for the agricultural sector through 2016. 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 2006, reflecting a composite of model results and judgment-based analyses.

Longrun developments for global agriculture reflect increased 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 and cash receipts. Rising production expenses and lower government payments offset some of the gains in cash receipts and other sources of farm income, but overall net farm income remains strong through the projections. On average, consumer food prices are projected to rise more slowly than the general rate of inflation over the next decade, although increases in meat prices push food prices up faster in some years.

Keywords: Projections, crops, livestock, 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 2006 *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.

Historically, projections in prior years' releases of this report have been the same as those used in preparing the President's Budget baseline. However, the President's Budget baseline this year assumes that biofuel blending tax credits and the ethanol import tariff are not extended beyond their currently legislated expiration dates. The projections in this report assume those tax credits and tariff are 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>

Contacts for Long-term Projections

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