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USDA Agricultural Baseline Projections to 2009

Interagency Agricultural Projections Committee

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Abstract

This report provides long-run baseline projections for the agricultural sector through 2009. 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 or other factors affecting global supply and demand. 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 1999, reflecting a composite of model results and judgmental analysis.

A number of factors have combined to weaken agricultural commodity prices in the initial years of the baseline. Global supplies for many agricultural commodities are large, as sizable crops have been produced both in the United States and other countries over the past several years, partly in response to high prices in the mid-1990s. Additionally in the late-1990s, world agricultural demand was weakened by the global financial crisis. As a result, the U.S. agricultural sector has faced strong foreign competition in a weakened global trade setting, reducing the value of U.S. agricultural exports. With economic recovery underway in most of the crisis-affected countries, global demand and trade are strengthening, and gains in U.S. agricultural exports are projected to resume in 2001. Nonetheless, the buildup of global supplies keeps agricultural prices under pressure for the next several years, lowering farm income. Longer run developments in the agricultural sector reflect continuing macroeconomic improvement. While strong export competition continues to influence the baseline, strengthening global economic growth provides a foundation for gains in trade and U.S. agricultural exports, resulting in rising market prices, increases in farm income, and 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 1999 and includes short-term projections from the November 1999 *World Agricultural Supply and Demand Estimates* report. Trade projections in this report for 2000/01 incorporate long-term assumptions concerning weather, foreign trend yields, and foreign use and do not reflect short-term conditions that may impact trade that year.

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.

Baseline Projections on the Internet

These new USDA baseline projections will be available electronically on the Internet, updating last year's files, at <http://usda.mannlib.cornell.edu/data-sets/baseline/>. Also, an ERS briefing room for agricultural baseline projections has been set up at:

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

Baseline Contacts

Questions regarding these projections may be directed to:

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