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USDA Agricultural Baseline Projections to 2012

Interagency Agricultural Projections Committee

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USDA Baseline 

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Abstract

This report provides long-run baseline projections for the agricultural sector through 2012. 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 agricultural law of the 2002 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 2002, reflecting a composite of model results and judgment-based analysis.

In the initial years of the baseline, U.S. farmers respond to reduced supplies and higher prices for many crops in 2002, with planted acreage projections higher in 2003 and 2004 than in recent years. Near-term livestock sector projections reflect adjustments to relatively low net returns in 2002, brought on by increased production levels that reduced meat animal prices coupled with higher grain prices. Total meat production falls in 2003 and net returns improve as meat animal prices increase and grain prices decline.

Stronger domestic and international economic growth beginning in 2003 provides a more favorable demand setting for the agricultural sector, supporting longer run increases in consumption, trade, and prices. A continued strong U.S. dollar and trade competition from countries such as Brazil, Argentina, and the Black Sea region are constraining factors on U.S. exports, however. Nonetheless, improving global economic growth, particularly in developing countries, provides a foundation for gains in trade and U.S. agricultural exports, resulting in rising market prices, increases in farm income, and improvement 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.

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 a continuation of the 2002 Farm Act and specific assumptions about external conditions. The baseline includes short-term projections from the November 2002 *World Agricultural Supply and Demand Estimates* report. Trade projections in this report for 2003/04 incorporate long-term assumptions concerning weather, foreign trend yields, and foreign use and do not reflect short-term conditions that may affect trade that year.

Critical long-term assumptions are made for:

- U.S. and international macroeconomic conditions;
- U.S. and foreign agricultural and trade policies;
- Growth rates of agricultural productivity in the United States and abroad; and
- Weather.

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 projections 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 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

The new USDA baseline projections are available electronically on the Internet at:

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

Also, the Economic Research Service has a briefing room for baseline projections at:

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

Baseline Contacts

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