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Agriculture

Office of the  
Chief Economist

World Agricultural  
Outlook Board

Long-term  
Projections Report  
OCE-2009-1

February 2009

# USDA Agricultural Projections to 2018

## Interagency Agricultural Projections Committee

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*USDA Long-term Projections*



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**USDA Agricultural Projections to 2018.** 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-2009-1, 100 pp.

### **Abstract**

This report provides projections for the agricultural sector through 2018. 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. Provisions of current law, including the Food, Conservation, and Energy Act of 2008 (2008 Farm Act), 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 2008, reflecting a composite of model results and judgment-based analyses.

Prospects for the agricultural sector in the near term reflect adjustments to the global economic slowdown and the U.S. recession. Additionally, over the next several years, the livestock sector continues to adjust to higher feed prices seen in 2007 and 2008. Longrun developments for global agriculture reflect continued demand for biofuels, particularly in the United States and the European Union (EU). Although increases in corn-based ethanol production in the United States are projected to slow, ethanol demand remains high and 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. Further, once the world economies recover from the current slowdown, steady economic gains support increases in consumption, trade, and prices. As a result, although net farm income initially declines from the highs of 2007 and 2008, it remains historically strong and rebounds to near-record levels in the latter part of the projections. U.S. retail food prices increase more than general inflation through 2011 (particularly meats in 2010 and 2011), but then food prices return to the longer term relationship of rising less than the general inflation rate over the remainder of the projection 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 2008 *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. The macroeconomic assumptions were completed in October 2008. 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 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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