USDA Baseline: Process, Models, and Applications

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This seminar discusses methods used to develop the U.S. Department of Agriculture (USDA) annual long-term, 10-year projections of the agricultural economy. These baseline projections cover agricultural commodities, agricultural trade, and aggregate indicators of the sector, such as farm income and food prices. The baseline identifies major forces and uncertainties affecting future agricultural markets. The baseline is also used to develop cost estimates for the President's budget and to analyze impacts of alternative scenarios.

The projections are one representative, long-run scenario for the agricultural sector based on specific assumptions regarding macroeconomic conditions, agricultural policy, weather, and international developments. The projections are not intended to be a Departmental forecast of what the future will be, but instead a description of what would be expected under a continuation of current agricultural law and specific assumptions about external conditions.

The USDA baseline analysis is conducted by interagency committees in the Department. Accordingly, the projections reflect a composite of model results and judgment-based analysis. Models used range in size from single equation relationships, such as for feed demand, to single commodity models, such as for corn, to a U.S. sector agricultural policy model, to a large, multi-commodity, multi-country international agricultural trade model. Each of these types of models plays a role in different parts of the interagency process.

As part of USDA's market analysis program, the baseline has a complementary role with other activities, including short-term forecasts, special studies, and a research program. The baseline provides a neutral backdrop, common reference scenario that provides a point of departure for discussion of alternative farm sector outcomes that could result under different domestic or international assumptions. These applications illustrate that the baseline analytical system provides more general scenario analysis capabilities for the agricultural sector.