

USDA TAKES AN EARLIER LOOK AT THE LONG-TERM CROP FORECAST

By [Chuck Abbott](#)
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Almost unnoticed, the USDA has shifted to an earlier reference point for an arcane but important document that helps shape the federal budget and provides a first look at the likely size of next year's crops. The change creates "additional uncertainties," said chief economist Robert Johansson on Monday, but the overall reliability of the 10-year agricultural baseline should be little affected.

In a format adopted last year, the USDA uses crop conditions and prices in October as its starting point for the long-term projections rather than conditions in November, when harvest is nearly complete in most years and markets are more settled.

The change may garner attention this year because the fall harvest is running weeks behind normal. Planting of corn and soybeans, the two biggest U.S. crops, was delayed by the rainiest spring in a quarter-century.

Only 41% of corn and 62% of soybeans were harvested as of Sunday, said USDA in its weekly [Crop Progress](#) report. Usually, 61% of corn and 78% of soybeans are in the bin by the final week of October. Growers have complained throughout this year that USDA has overestimated the size of the crops, which may hold down market prices.

The USDA is scheduled to release salient parts of the baseline on Friday, the earliest date yet to issue projections of supply, use, and prices for U.S. crops and livestock and the macroeconomic outlook domestically and worldwide. For years, the projections were released in late November or early December. They appeared on November 2 last year, the first time that USDA used October as the foundation for the baseline.

“We moved it back a month,” said Johansson, to make it easier to submit estimates of farm production and subsidy costs on time to the White House budget office. “There’s very little change” in USDA forecasts from October to November, he said. Estimates may change by a couple of hundred million bushels for crops measured in billions of bushels, but the differences are washed out by forecasting methods that simulate hundreds of

potential scenarios for production, use, and prices in coming years.

Seth Meyer, who left USDA this summer to become associate director of the FAPRI think tank at the University of Missouri, made the same point about the similarity of USDA's estimates of commodity production and market prices in October and November. Asked during a panel discussion last week about the reliability of the October crop report, Meyer said yields per acre and crop size are reasonably certain by October. "They just are. They (farmers) better get comfortable with it."

Projections are highly tentative because they rely on historic patterns of production, consumption, and prices and presume normal weather and yields. At its annual Agricultural Outlook Forum in February, the USDA will update projections released this week to reflect conditions in early 2020 and expand its focus to an international scope. "The complete report will include a full discussion of the commodity supply and use projections, as well as projections for farm income and global commodity trade," said the [USDA](#).

Assembly of the agricultural baseline is a multimonth-long process that begins in the summer at the staff level and carries

into the winter. After USDA submits its estimates to the White House in the fall, sometimes triggering back-and-forth discussion, the information is folded into the administration's budget proposal that is unveiled in the early weeks of the new year.

Staff turnover that accompanied the relocation of two USDA research agencies to Kansas City did not impinge on development of the new agricultural baseline, said Johansson. "I view the baseline process as a pretty integral part" of USDA, he said. "I made sure to build in redundancies... We made sure we can do the baseline process under a variety of resources."

The Economic Research Service, one of the relocated agencies, has a modest role in the early stages of the baseline projections and has its biggest role in preparation of the global tables that appear in February.

The USDA's long-term agricultural projections are [available here](#).