

Does USDA fudge economic outlooks?

BY CURT HARLER

WASHINGTON, D.C. — The USDA's prediction that net farm income for 1980 may drop by 20 percent has raised some eyebrows among numerous farm forecasters.

While a number of private predictions set the figure much lower, there is some indication USDA technicians came up with a much higher figure—one which showed nearly a one-third drop in expected farm income.

Those figures eventually were released at the 20 percent level.

What bothers some Washington observers is not so much the change as the way they suspect it came about. And any fudging of the forecast in one area naturally raises questions in other areas.

As reported last week in LANCASTER FARMING, USDA said net farm income could decline sharply in 1980.

USDA said any forecast at present is "very tentative" but said small gains in gross farm receipts coupled with another big rise in production expenses could mean a substantial decline in net income—perhaps by a fifth.

That one-fifth figure was questioned by the respected Kiplinger Agricultural Letter.

As Kiplinger reported last Friday they went around and asked USDA technicians about the forecast.

"Answer was a shocker, implied the forecast was actually sweetened from earlier estimates, which came in around 30 percent down...almost a third.

"This alarmed top bureaucrats in USDA, who sent the technicians scurrying to their calculators with orders to 'improve' the figures. Hence...20 percent," Kiplinger reported.

"All this suggests manipulation," Kiplinger Editor William Senior said.

USDA economics officials denied any manipulation and said the situation was not quite the way it seemed.

Senior later told LANCASTER FARMING that perhaps the problem is not manipulation as much as it is ineptness.

But, he said, people in former administrations have admitted shading numbers to make it them look more pro-administration.

He said this had happened during the Lyndon Johnson administration.

"Is there politics behind this?" Kiplinger asked.

"Can't nail that down, but food prices may be involved, food inflation. Government estimates on food prices in 1980 are being pegged at a rise of between 7 percent and 11 percent.

"These estimates may be deliberately on the low side, some experts think. If higher, consumers might react...the voters. Thus...bad politics," Kiplinger said.

"Or farm income may 'improve' next year...drop of less than 20 percent when USDA makes its next forecast, making it appear that the government has mysteriously helped out farmers. 'Good politics' for Mr. Carter," Kiplinger said.

But USDA's Branch Chief of Economic Indicators sees it differently.

George Hoffman said USDA comes up with a range of figures based on normal weather both in the United States and abroad.

He admits that the range of figures generated by USDA technicians goes higher than the 20 percent released by USDA. And, it goes lower.

Most likely, he said, the percentage will drop, be lower than the 20 percent released to farmers.

Hoffman admitted the 30 percent figure could come true under certain conditions such as a drop in U.S. output.

"There is a lot of uncertainty in the predictions," he added.

He denied that the figures were sent back to the technicians.

"I was a part of the process," Hoffman said. "Politics was not a part of it."

He maintains the figures were all a part of the range. He said a large drop was less likely than the smaller drop, and added that the drop could be even less than the 20 percent figure.

"What would we have to gain by fudging the figures?" he asked.

He also said other output figures would not be tampered with.

He said it would be more difficult to tamper with crop yield figures because there is not a lot of flexibility in generating those numbers.

He said the only two numbers they use in corn or soybean output figures would be acreage and yield.

But, Hoffman said, there are literally hundreds of variables in all areas in the farm income numbers. Plus there are all the variables in the cost estimates which are cranked into the process.

A one percent error in farm prices will change the farm income by \$1.5 billion.

he said That's how sensitive the figures are

And, he added, a five percent error in the forecast would not be at all unreasonable

"But we did not sweeten the forecast," Hoffman said.

He offered no explanation of how USDA arrived at the figure it eventually released.

Most Washingtonians seem to agree the figures themselves are solid The problem arises with the ranges.

It's the interpretation of the ranges that leads to questions And the interpretation could, plausibly, be made to suit an incumbent administration.

Meanwhile, both the hog and cattle figures were upgraded slightly from the original outlook conference figures.

While USDA could have received new figures or last-minute data, no explanation was offered.

Even USDA's economists admit their income projection figures, at best, are educated guesses.

Many private forecasters tend to ignore the USDA results.

The bottom line seems to be the USDA bureaucrats do honestly compile figures.

Whether those numbers are interpreted by higher-ups to meet their own needs for advocacy economics remains a distinct possibility.

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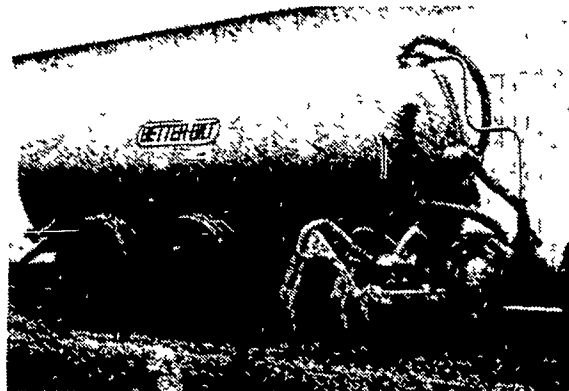
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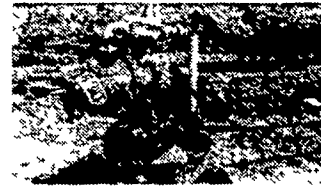
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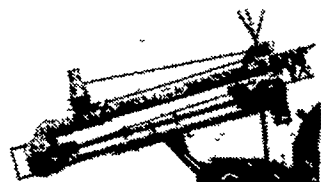
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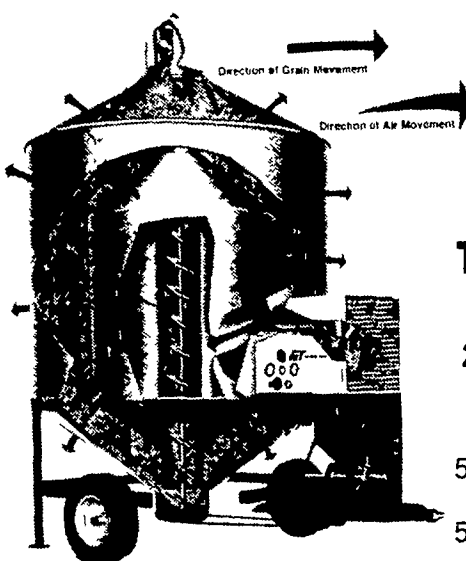


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