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The FAPRI Process Of Analysis

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In several past issues of the *Iowa Ag Review* we have written about baselines and scenarios that the Food and Agricultural Policy Research Institute (FAPRI) produces. This article will clarify what FAPRI is and what it does.

**Background**

FAPRI was established in 1984 by a grant from the U.S. Congress. The primary focus of its research is on the analysis of domestic and international agricultural and trade policies. FAPRI is administered jointly by CARD at Iowa State University and the Center for National Food and Agricultural Policy (CNFAP) at the University of Missouri-Columbia. FAPRI/ISU is responsible for international modeling and analysis, while FAPRI/UMC is responsible for U.S. modeling and analyses. In addition to the two core centers, affiliate universities provide specialized expertise and multi-institution collaboration.

FAPRI provides an annual baseline on the U.S. agricultural sector and world commodity markets directly to the Senate and House Agriculture Committees. Information is also disseminated to commodity organizations, farmers, agribusinesses, state legislators, and others interested in the agricultural economy.

In studies ranging from the farm to the international marketplace, FAPRI uses comprehensive data and computer modeling systems to analyze the complex economic interrelationships of food and agricultural industries.

**FAPRI Mission**

The objectives of the FAPRI program are:

- Develop and maintain an analytical support system that facilitates research and analysis on food, agricultural, and trade policy issues.

- Evaluate supply, demand, and policy factors in the United States and abroad that influence both short-term and long-term trade prospects and patterns.

- Provide information to help public policy participants and decision makers evaluate trade and policy issues and increase public understanding of these issues.

FAPRI accomplishes its mission by preparing baseline projections each year for the U.S. agricultural sector and for international commodity markets. The multiyear projections are published as FAPRI Outlooks, which provide a starting point for evaluating and comparing scenarios involving macroeconomic, policy, weather, and technology variables.

**The FAPRI Process**

A look at a single year’s schedule provides some of the major milestones of each FAPRI baseline process. In mid-October of each year the baseline process begins. A meeting of personnel from all the participating institutions is held to set the assumptions for the preliminary baseline or “melt down” that is held in November. The assumptions discussed range from worldwide policy assumptions to agronomic and biological assumptions to macroeconomic data issues. Shortly after the meetings, each analyst develops a five-year preliminary assessment of supply, utilization, and certain policy assumptions for the commodities and countries for which that analyst is responsible. These preliminary assessments are then distributed to select reviewers from academia, government, and industry for feedback on the specific paths laid out in the analysis.

After the reviewers have responded to the individual preliminary assessments, all the members gather at Iowa State University in Ames for the melt down process, during which the members collaboratively solve the linked commodity models. The major models that are run simultaneously are U.S. Crops, U.S. Livestock and Dairy, International Crops, International Livestock and Dairy, and International Oilseeds.

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This analysis encompasses more than 25 agricultural commodities with 17 regional groupings encompassing 35 countries as well as an aggregate world total. This lengthy process produces the preliminary baseline. The baseline projects all the variables for ten years into the future and assumes normal weather and unchanging governmental policy.

Outside Review
The next step in the FAPRI process is an outside review of the preliminary baseline. More than 150 commodity analysts from various domestic and international governmental units, agricultural industries, trade groups, and universities gather in Kansas City in January to provide critical analysis of, and input for, the baseline. This review meeting is a forum to gather information that will be used to provide the most plausible picture of the world food and agriculture outlook under current market and policy conditions.

Within two weeks after the Kansas City meeting, the review comments are incorporated into each individual model. The FAPRI personnel then gather for a week at the University of Missouri in Columbia to establish the final baseline. In early March the final results are presented to the U.S. Congress, U.S. Department of Agriculture, Congressional Budget Office, and commodity organizations. Immediately following these briefings, the results are disseminated on the World Wide Web and published in two Outlook reports. FAPRI communicates the analysis to the public via presentations, the Iowa Ag Review, and press releases during the spring and summer (see FAPRI 1997 Agricultural Projections in this issue).

Scenario Analyses and Model Enhancement
After the baseline is officially released in March, many requests are directed to FAPRI from users of the information. These requests are specific; for example, questions relating to how a change impacts agricultural markets, trade, prices, farm income, and government costs. Some of the changes may be new agricultural policy proposals, different weather conditions, different macroeconomic assumptions, trade proposals, biological factors, and many others (see The Impact of EEP Removal on U.S. Wheat in this issue). The baseline makes it possible to quantitatively evaluate the impacts of changes.

When the faculty and staff aren’t analyzing outlook scenarios, they are engaged in model development. On a regular basis, new econometric models are constructed, old models are updated, and the realm covered by the FAPRI system is expanded. The newly developed models are reviewed in late August by all the members of the FAPRI team and incorporated into the FAPRI system for the next cycle of analysis. In October, the process starts all over again.

FAPRI and Affiliates
FAPRI is joined in special research by an affiliation of universities including Arizona State University, Kansas State University, North Dakota State University, Texas A&M University, and the University of Arkansas. This collaboration encompasses numerous research areas as shown in the schematic.

In addition to university cooperation, FAPRI at Iowa State also collaborates with international organizations, such as the United Nations, the Organization for Economic Development and Cooperation (OECD), the World Bank, and many others.

FAPRI comprises over 30 analysts and support staff at Iowa State University and the University of Missouri-Columbia. The FAPRI outlook process contributes to the monitoring of the health of the U.S. and world agriculture and food sectors and is flexible to meet the continually changing conditions faced by agriculture. FAPRI continues to be challenged by new domestic and trade policy questions as agricultural markets continue to evolve. FAPRI meets this challenge by using the best qualitative and quantitative analyses to provide policymakers and other interested parties with the most objective information possible.