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Terrorist Attacks in New York City and Washington, D.C.: Implications for the Florida Citrus Industry¹

Thomas Spreen²

This paper is one in a series prepared by faculty in the Department of Food and Resource Economics at the University of Florida. Other papers in the series address implications for the U.S. economic outlook (FE 311); U.S. trade policy (FE 312); state government revenues in Florida (FE 317); and the Florida vegetable (FE 314), agronomic crops (FE 315), and tourism (FE 316) industries.

The recent attacks by terrorists on the World Trade Center (WTC) and the Pentagon have raised many questions not only about the safety of U.S. citizens, but also the possible economic ramifications of these events. To discuss economic ramifications, one must make assumptions regarding future events that will be tied to those that occurred on September 11, 2001. Those assumptions deal with the possibility that (1) additional attacks will be made on U.S. interests either within the United States or elsewhere, and (2) the duration of the U.S. response to these attacks. The second assumption addresses the question of whether the United States will find itself embroiled in a protracted war with Afghanistan and other countries that might be assisting the terrorists. Additional attacks in the United States or elsewhere would serve to further disrupt commerce, thereby

adversely affecting the economies of not only the United States but the rest of world, including our major trading partners in Europe and Asia. If the United States finds itself in a protracted war in the Middle East, then it is likely that issues related to trade liberalization would be placed aside until the war is resolved. In particular, it is unlikely that President Bush would push for trade promotion authority (TPA) to negotiate the Free Trade Area of the Americas (FTAA) until after hostilities have subsided. Even then, it might be some time before economic and trade issues regain the prominence they have held in recent years. As Florida orange growers strongly support maintenance of the U.S. tariff on orange juice, a delay in the initiation of negotiations on FTAA would not be unwelcome.

With this backdrop, the impact of the WTC and Pentagon attacks on Florida citrus growers and processors will likely be twofold. First, given the negative impact these events are having on the U.S. stock market and air travel, it is likely that the U.S. economy will go into recession, as well as Canada, Mexico, Europe, and Japan. If so, the demand for both fresh and processed citrus products will be negatively affected. In particular, the demand for

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2. Thomas Spreen, professor, Department of Food and Resource Economics, Florida Cooperative Extension Service, Institute of Food and Agricultural Sciences, University of Florida, Gainesville, FL.

not-from-concentrate (NFC) orange juice is sensitive to consumer income. As this product is currently almost exclusively supplied from Florida, Florida orange growers and processors would realize some negative impact. Over the past ten years, NFC consumption has grown rapidly in the United States and Canada and currently accounts for approximately 35 percent of total U.S. consumption. If growth in NFC consumption is significantly reduced or reversed, it would adversely affect prices paid to Florida growers and hence grower returns. Those companies that heavily participate in the NFC market would feel the brunt of any declines.

Before these events, it appeared that the Florida citrus industry could look forward to a much better pricing scenario in the 2001-02 season compared to the 2000-01 season. Although current forecasts are that the 2001-02 orange crop will be in the range of 230 to 250 million boxes³ (the record is 244 million boxes), world supply-demand conditions have improved substantially over last season. The crop in Sao Paulo State, Brazil, is expected to be substantially smaller due to disease and weather problems. A severe drought in Sao Paulo may reduce its crop to levels not seen in several years (300 million boxes). As Florida and Sao Paulo, Brazil, collectively account for over 80 percent of the world's orange juice production, production shortfalls in either location will have substantial price impacts. World demand for orange juice continues to grow with new markets evolving in Eastern Europe and Latin America. Thus Florida orange growers may well face a positive outlook for the next several seasons until production problems in Sao Paulo are resolved.

Florida grapefruit growers were also facing better pricing conditions as a disease called *tristeza* (CTV) is currently spreading throughout Florida. A large proportion of Florida's grapefruit trees are planted on sour orange rootstock, which is highly susceptible to the *tristeza* virus. The large number of grapefruit trees being destroyed by CTV is expected to reduce the tree inventory sufficiently to correct the oversupply problems that have plagued the industry for the past several seasons.⁴

While grapefruit consumption is not as sensitive to income as is orange juice, Florida grapefruit growers are highly dependent on export markets in Europe, Canada, and Japan for fresh grapefruit sales. Florida growers hope that new markets in China, India, and Argentina may be able to replace shrinking sales in the U.S. market. If a protracted war is encountered, especially if it disrupts ship traffic (which appears to be unlikely), then Florida grapefruit growers may well be faced with additional difficulties.

Additional Notes:

3. The official USDA orange crop forecast for Florida will be released October 12, 2001, after this article was written.
4. For more discussion, see Brown and Spreen, *Proceedings of the Florida State Horticultural Society*, 2000.