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Terrorist Attacks in New York City and Washington, D.C.: Implications for Florida Agronomic Crops¹

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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 citrus (FE 313), vegetable (FE 314), and tourism (FE 316) industries.

The situation and outlook for the agronomic crops produced in North Florida has only been marginally altered by the terror events that occurred on September 11, 2001. The overall crop outlook was unfavorable before the attacks and has remained the same. In most cases supply and demand conditions have caused prices to remain low. Large supplies seem to be the norm for most commodities while demand has remained sluggish. Trade issues and domestic farm policy are very critical to the future outlook for farm commodities. Trade issues will likely be affected by the terrorist attack and will have an impact on intermediate and long term outlook. Agricultural trade with certain countries now faces uncertainty. The recent events may have affected Farm Bill activities. A Farm Act for 2001 now appears unlikely. Discussions are likely to be

delayed, and a possibility exists that funding for certain farm programs might be reduced.

Economic events before the acts of terror have pointed to an economic slowdown in the United States. The "Great American Growth Machine" was getting low on gas and starting to slow down. Unemployment levels were increasing, with more jobs expected to be lost. The recent events have likely hastened this process. At the same time, there is a weakening world outlook that is having a depressing effect on exports of farm commodities. In the long run, the effect on the agricultural sector will be that domestic demand for agricultural products will be dampened by the downturn in the economy. On the export side there appears to be no weakening of the dollar; thus, commodity exports are unlikely to benefit from a weaker dollar.

Short-term agriculture outlook has changed little due to the terror events. Probably the most immediate problem was the disruption of air shipments and other transportation problems. These problems were very short-term effects, but could become problems in the future. Trade issues have resulted in a smaller world for our products, as fewer countries are buying

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our agricultural commodities. Most agricultural commodities produced in Florida are suffering from over-supply problems. As U.S. farmers continue to produce large crops even as prices decline, government programs have become more important to farmers as a way to maintain income levels.

A likely change, due to recent events, is the outlook for agricultural inputs. Interest rates will become more favorable. The lowering of interest rates by the Federal Reserve is an attempt to stimulate the economy. The portfolios of the agricultural lenders have shown that this action has helped agriculture. Loan delinquencies are down, and interest rates are well below levels from a year ago. The lower rates will reduce production costs for the agronomic producers of Florida. On the negative side, higher energy costs might occur, depending on the United States response to terrorist acts. If supplies are disrupted, oil costs will increase which would drive up fuel, fertilizer, and chemical costs. Under the current situation, fertilizer prices should be similar to last years prices, with fuel and chemical prices being up slightly.

Overall, large supplies and sluggish demand seem to be issues for most commodities with trade and policy issues also being important factors in outlook prospects. Feed grain supplies are very large due to high levels of beginning stocks and large United States and world production. The soybean market also suffers from large supplies and export competition. Cotton markets are experiencing low prices due to increased acreage, high yields, and sluggish demand. Peanut producers are concerned with policy issues. The new peanut program will be important to North Florida producers in determining changes in the farming structure and farm incomes. The tobacco outlook will not be affected by the terror events in the short term. Continuing issues that affect Florida tobacco producers are decreasing acreage and quota, tobacco settlement funds, contracting, and barn retrofitting. Many of these issues will likely increase the rate of consolidation of tobacco farms.

The short-term effects of the terrorist events were limited for the major agronomic commodities in North Florida. Overall, the terrorist activities will have some minor effects on the agricultural outlook

as the economic downturn is hastened. However, the government has taken measures to lessen the impact of these events. Careful planning and prudent marketing are still essential for Florida producers as they cope with low prices, changes in domestic farm policies, and the effects of trade issues.