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September 11th and Agricultural Trade

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Cornhusker Economics

Cooperative Extension

Institute of Agriculture & Natural Resources
Department of Agricultural Economics
University of Nebraska – Lincoln

September 11th and Agricultural Trade

Market Report	Yr Ago	4 Wks Ago	10/19/01
<u>Livestock and Products,</u>			
<u>Average Prices for Week Ending</u>			
Slaughter Steers, Ch. 204, 1100-1300 lb Omaha, cwt	\$67.67	\$69.42	\$66.54
Feeder Steers, Med. Frame, 600-650 lb Dodge City, KS, cwt	90.37	*	85.00
Feeder Steers, Med. Frame 600-650 lb, Nebraska Auction Wght. Avg	97.12	96.95	93.99
Carcass Price, Ch. 1-3, 550-700 lb Cent. US, Equiv. Index Value, cwt	103.87	109.71	107.34
Hogs, US 1-2, 220-230 lb Sioux Falls, SD, cwt	37.50	46.00	38.50
Feeder Pigs, US 1-2, 40-45 lb Sioux Falls, SD, hd	*	*	33.38
Vacuum Packed Pork Loins, Wholesale, 13-19 lb, 1/4" Trim, Cent. US, cwt	121.30	117.50	106.40
Slaughter Lambs, Ch. & Pr., 115-125 lb Sioux Falls, SD, cwt	65.13	*	42.85
Carcass Lambs, Ch. & Pr., 1-4, 55-65 lb FOB Midwest, cwt	153.00	123.15	124.45
<u>Crops,</u>			
<u>Cash Truck Prices for Date Shown</u>			
Wheat, No. 1, H.W. Omaha, bu	3.09	2.87	2.89
Corn, No. 2, Yellow Omaha, bu	1.79	1.83	1.76
Soybeans, No. 1, Yellow Omaha, bu	4.47	4.52	3.93
Grain Sorghum, No. 2, Yellow Kansas City, cwt	3.04	3.50	3.31
Oats, No. 2, Heavy Minneapolis, MN, bu	1.25	1.80	2.05
<u>Hay,</u>			
<u>First Day of Week Pile Prices</u>			
Alfalfa, Sm. Square, RFV 150 or better Platte Valley, ton	117.50	102.50	115.00
Alfalfa, Lg. Round, Good Northeast Nebraska, ton	67.50	75.00	77.50
Prairie, Sm. Square, Good Northeast Nebraska, ton	85.00	105.00	105.00
* No market.			

September 11th caused us to think about our place in the world community, the freedoms we take for granted and the lifestyle we have enjoyed, particularly in the buoyant economic times in the post World War II period. But we may not have brought the impact on agriculture into our reflections of the September 11th events, and how we interact in this world community.

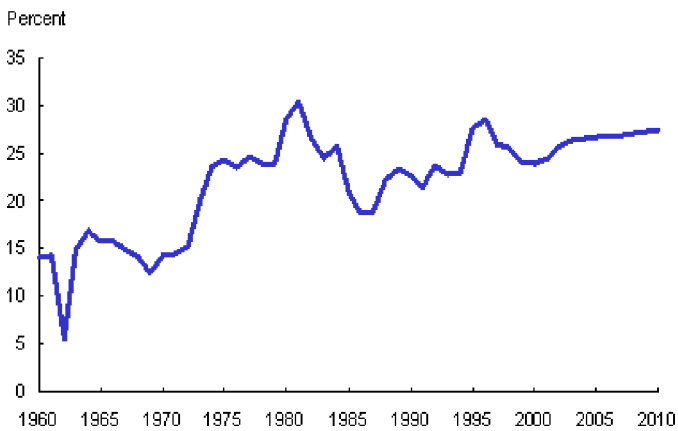
Trade is essential to the U.S. agricultural sector, with earnings from U.S. exports accounting for 20 to 30 percent of total farm income. The productivity of U.S. agriculture has grown faster than our domestic demand, requiring export markets to sustain prices and revenues. The chart at the top of the next page shows the value of agricultural exports as a percent of gross cash farm income. It has grown from a low of about 5 percent in the mid-60s to a projection of over 25 percent in the next decade. The value of our agricultural exports was \$51 billion for the year ending Sept 30, 2000. It is estimated at \$53.5 billion for fiscal 2001 and projected at \$57 billion in 2002.

Situation with Specific Commodities

Beef, Pork and Variety Meats: Exports do not account for a large portion of our production but are a significant income earner. The value of meat exports in fiscal year 2000 was about \$5 billion, or about 10 percent of the total agricultural exports. But the prospects for the short-term, at least, show some difficulties. From January to July of 2001, U.S. beef exports declined by 15 percent compared to 2000. This has resulted from a combination of weak econ-



U.S. agriculture depends on trade¹



¹ Value of agricultural exports as a percent of gross cash income net including direct government payments.
Source: *USDA Agricultural Baseline Projections to 2010*, February 2001. Economic Research Service, USDA.

omies and consumer concerns about BSE. The recent discovery of a cow in Japan with BSE, the first case of BSE outside Europe, could lead to reduced consumption of both domestic and imported beef in Japan.

Wheat: Exports account for about 50 percent of U.S. production with a value of \$4 billion. Even though stocks domestically and on a world basis have declined over the past three years, wheat is produced in almost every country and the competition is keen.

Corn: The U.S. will export 53 million metric tons or about 20 percent of production this year. It will have a value of about \$4.5 billion.

Soybeans: The 27 million metric tons of U.S. soybeans exported this year will represent about 35 percent of production and have a value of over \$5 billion. Soybean meal and oil exports will have an additional value of \$1.5 to \$2 billion.

Horticultural Products: This includes fruits, vegetables and tree nuts, and have a total value of over \$11 billion or over 20 percent of U.S. agricultural exports.

Now back to September 11th. It was shocking and disturbing. It reminded us that tragedy and tyranny can occur at any time, even though we have been relatively immune from it. On the positive side, those events have evoked an unprecedented outpouring of patriotism and a high level of concern and generosity for those directly affected. While terrorism cannot be tolerated and we must be vigilant in our efforts to avoid further acts of terror, there are some things we ought to think about. In my view, it behooves us to think about our relationship with other countries and

other cultures. We must be resolute in our efforts to make the world a better place, and encourage a fair minded approach to our differences. It is very easy to characterize all members of a particular culture as evil, immoral and vicious. The real challenge is channeling the anger into trying to understand the relationships between cultures, the dynamics and history of those cultures, and then what we can do to neutralize or counteract any negative impacts on us or other countries.

What does that have to do with agricultural exports? It is exactly what we must do to maintain and expand our agricultural markets. What can we do at home to develop alliances and cohesive, coordinated marketing efforts? What can we do to understand the markets around the world we are trying to sell our products into, and how do we develop those markets? Conflicts and antagonism will seriously restrict our ability to develop and expand the markets for our agricultural products. We need to understand the cultures and the product preferences. We need to be thinking about our competitors as well as our potential customers. For example, we hear a lot about the expansion of grain production, particularly soybeans, in South America. What we don't hear so much about is the development of the hog industry in South America.

Recent events have made it abundantly clear that we do live in a global community that functions in a global economy. What we need is reasoned, thoughtful discussion on how we address the challenges of the economic, particularly the agricultural economic issues, as well as the political and security issues. There is a lot at stake for our economic as well as our personal security.

Sources:

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