

Policy Pennings by Dr. Daryll E. Ray

Hurricane aftermath

As we write this column, the scenes of the crisis in New Orleans and elsewhere along the Gulf Coast are seared into our minds. At this distance, it is difficult to imagine the extent of the damage from Hurricane Katrina and the extent of the human tragedy that is unfolding hour by hour as people try to get to a place where they can obtain food, clean water, medical care, safety, and a good night's sleep. And those are only the immediate needs. Current reports suggest that area residents may not be able to return to their homes for an extended period of time. The rebuilding of New Orleans and other coastal cities may take years, not months. The impact of the hurricane and the subsequent flooding on those directly involved will last a long time.

While not of the same order of magnitude, Hurricane Katrina will also have an impact on the U.S. agricultural sector as well. The impact on producers whose crops were damaged by the storm is immediate and clearly visible. As yet we have not seen any estimates of the direct damage to producers along the storm path, but certainly there will be a number of producers who lost everything to the storm, not only their crops, but possibly their homes and other non-land durable assets as well.

Grain and oilseed farmers, particularly those in the Midwest whose crops are shipped by barge down the Mississippi and out through the port facilities in New Orleans, may see the basis widen even further and prices fall as elevators are unable to clear last year's grain out in anticipation of the crop that is nearly ready to be harvested. Typically, two billion bushels a year move through the port at New Orleans.

We have seen reports that barges that began their journey well before the storm hit are now idled with no place to go. Even if the port facilities reopen within a month, barge traffic on

the upper Mississippi may not be back to normal before barge traffic stops for the winter. All of this could affect marketing opportunities for the major grains and seeds.

Undoubtedly, some grain will be rerouted through Pacific Northwest and Texas ports, but the cost and availability of rail and truck transport will become a major factor in the price that farmers will get for their commodities. Given the usual Fall bottlenecks that crop up with rail transportation, there is some question of how much grain can be shunted by rail to other ports.

Adding Gulf production to imports that come through Gulf ports, a significant portion of the U.S. petroleum supply has been affected by the storm triggering fuel price increases in some areas by as much as 80 cents a gallon. The cost of fertilizer and other agricultural chemicals will also be affected. With Fall harvest getting ready to begin in some parts of the country, higher fuel costs could have a serious impact on farm income as farmers are unable to pass the higher costs along in the form of a fuel surcharge. These higher costs also drive up the cost of preparing seed beds for next year's crops.

As we contemplate the impact of Hurricane Katrina, we are reminded of the words Roman orator Cicero uttered nearly 2,000 years ago, "Indeed farming is throughout a thing whose profits depend . . . on those most uncertain things, wind and weather."

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