Rising Prices, on the Farm and on Your Food

By: Isabella Didier

Does it feel like every time you eat out you are spending more money than you did the last time? According to the United States Department of Agriculture (USDA), in 2022 all food prices were expected to increase by 9.5-10.5%. In fact, the prices you paid to eat out last month were 8.5% higher than what you paid September of 2021.[1] As our lives continue to be affected by the ever-rising cost of food, we may begin to wonder what is causing this increase in prices. In order to understand these growing costs, we need to address the separation of the consumer from their food system, the cost of inputs vs the profit of outputs and the logistics of an international food system. Doing so will help you to feel empowered as a consumer and more aware of what you can do to combat rising prices.

Have you ever rolled down your window at Chick-fil-A and thought about how many chickens it would take to have enough chicken tenders to fulfill your order? Or did you stop to consider when or where the potatoes were grown to make your fries?

Likely, these thoughts have never crossed your mind. We simply roll down the window, expecting our chicken and fries, with our only concern being if they gave us enough Chick-fil-A sauce. This is the separation between consumer and producer. Researchers at Michigan State University found that 48% of Americans "never or rarely seek information about where their food was grown or how it was produced."[2] Due to this separation between consumers and food growers, we sometimes suppose there is some unidentified group creating our food and setting food prices.

The reality is 1.4% of our population is responsible for growing and raising the food that 100% of us eat.[3] These men, women and their families are the backbone of our nation. Some of them are large commercial growers who grow food for brands such as General Mills, Kellogg's, and Budweiser; while others are smaller farmers and ranchers whose products you won't see on the shelves in your supermarket, but

1 https://www.ers.usda.gov/data-products/food-price-outlook/summary-findings/

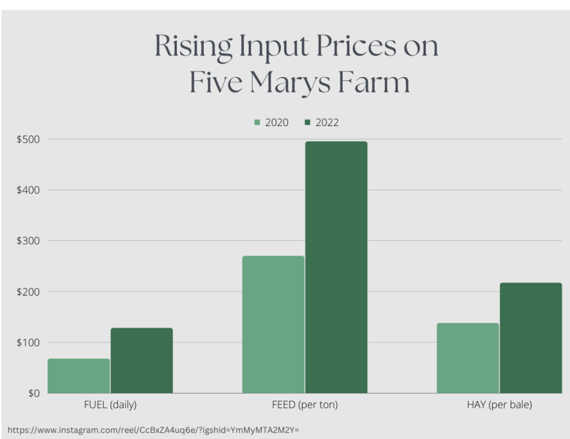
2 https://allianceforscience.cornell.edu/blog/2018/03/americans-confused-food-unsure-turn-answers/#:~:text=Our%20survey%20revealed%20that%2048,or%20how%20it%20was%20produced.

3 https://www.ers.usda.gov/data-products/ag-and-food-statistics-charting-the-essentials/ag-and-food-sectors-and-the-economy/#:~:text=Direct%20on%2Dfarm%20employment%20accounted,1.4%20percent%20of%20U.S.%20employment.

at the farmers market or in their online shops.

The Cost of Farming- Inputs and Outputs

One day as I was scrolling on Instagram, I saw a reel made by Five Marys Farm. This farm belongs to a ranching family in Northern California who raise beef, pork and lamb. Mary had been asked by a follower why a family farm raises prices if they do everything "themselves." In this post, she explained that due to the increasing cost of their inputs such as fuel, feed, hay, packaging, shipping and labor, they are forced to raise prices to cover rising costs.[4] The graph below illustrates the drastic rise in cost of daily fuel, feed (per ton) and hay bales on Five Marys Farm over the last two years.



What seems so obvious in other industries—higher cost of goods equals higher price for consumers— looks different from an agricultural perspective. This piqued my interest and led me on a quest for greater understanding of our rising food costs.

Farming output is relatively simple but input and operating costs are complicated and confusing. Farm expenses are vast including the cost of fertilizer, pesticides, seeds, feed, animal services, machinery, etc. All of these inputs come with a cost– a rising one that is.

For example, fertilizer costs typically account for one fifth of U.S farm costs.[5] In 2022 fertilizer prices reached near record cost. Ben Klick, a fifth-generation farmer at Windy Way Farms, says that "fertilizer prices are up sometimes over 200% from 2021."[6] In a study done by the University of Illinois it was estimated that "rising fertilizer costs would cut farm incomes by about

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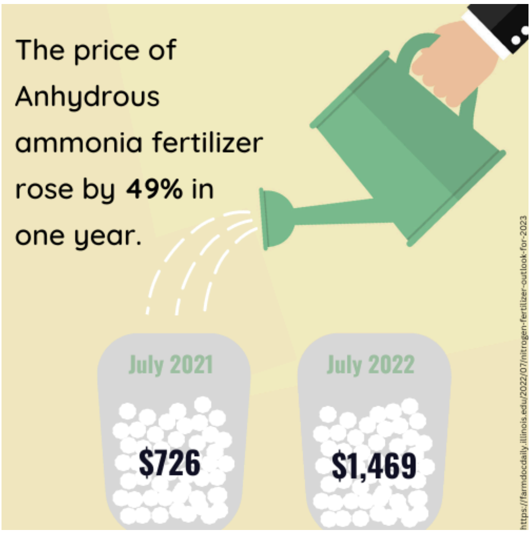
4 https://www.instagram.com/reel/CcBxZA4uq6e/?hl=en

5 https://www.fas.usda.gov/data/impacts-and-repercussions-price-increases-global-fertilizer-market

6 https://www.proquest.com/docview/2674457044

a third between 2021 and 2022."[7] As we see in the graphic below not only are farmers pouring fertilizer, but they are also pouring money into these crops at evergrowing rates.



This puts farmers in a Catch-22 situation. If they apply less fertilizer, crop yields are likely to decrease, but if they fertilize regularly, they are dependent on the market to cover their high costs.[8] Fertilizer is just one of the rising costs farmers are facing.
Most food producers are facing higher costs for *every* input. USDA data suggests that production costs rose 9% from 2021 to 2022 and rose 5% more this year, for a total of 14%.[9]
Unlike farmers, ranchers and meat producers do not directly face the rising cost of fertilizer, yet these prices still affect them. The fertilizer nourishes the land that grows grain. Those grains become the feed for their livestock. It's cyclical, with all areas of food production being affected.

The rising cost of inputs puts farmers and ranchers in a difficult position. Food producers could continue to grow crops, dumping backhoes of cash into their fields in order to satisfy demand; they are left wondering if the market will set a price that covers their costs while allowing them to make a profit. Larry O'Malia, a corn farmer in Pennsylvania, fears that he could grow the crop, but the price he would charge to cover input costs may be "too much for customers to bear." He explained "If you overprice, there's a certain point where people can't pay it. They'll use the money to pay for gas or heat," he said. "You have more invested to produce a crop, so you have to get more return to cover that, but at what point is

7 https://www.proquest.com/docview/2683593731

8 https://www.proquest.com/docview/2683593731

9 https://www.fb.org/market-intel/analyzing-farm-inputs-the-cost-to-farm-keeps-rising

it too high? That's what we're faced with."[10]

Logistics of an International Food System

The problem of rising food prices is a multi-faceted and compound issue. The United States is a major player in the global economy. As a participant in the global economy that means we export and import a variety of food and farm products. Just last year the United States exported $177 billion dollars in food and farm products.[11] The past few years have created much difficulty for the global economy with Covid-19, global recession, and conflicts between foreign nations, particularly Ukraine and Russia. For example, Ukraine and the surrounding region happen to be a hub for both fertilizer and wheat production.[12] In 2021 Ukraine was the world's seventh largest exporter of wheat.[13] Due to war, Ukraine's exports will be drastically reduced, placing increased pressure on all other crop exporting countries to make up the difference.[14] In addition to these shortages creating higher demand, this area of the world also plays a huge role in fertilizer exports. "Russia and Belarus command nearly 25% of the global export market share of all fertilizers."[15] From these two examples you can see how global conflict creates problems for the world at large. Sadly, the USDA predicts that in 2023 the situation may only get more dire, with continued shortages and rising costs for farmers and consumers.

Take Action, Source Local

We went from happy feelings of Chick-fil-A to depressing feelings about future food costs. Now that you have a glimpse into why it is likely that food costs are really rising every time you go

10 https://www.proquest.com/docview/2679855597

11 https://www.usda.gov/media/press-releases/2022/02/08/american-agricultural-exports-shattered-records-2021#:~:text=The%20final%202021%20trade%20data,in%202014%2C%20by%2014.6%20percent.

12 https://www.proquest.com/docview/2703153982

13 https://www.fas.usda.gov/sites/default/files/2022-04/Ukraine-Factsheet-April2022.pdf

14 https://www.fb.org/market-intel/analyzing-farm-inputs-the-cost-to-farm-keeps-rising

15 https://www.fas.usda.gov/data/impacts-and-repercussions-price-increases-global-fertilizer-market#:~:text=Fertilizer%20prices%20account%20for%20nearly,production%20in%202022%20and%202023.

out, it's important to know what you can do to help reduce these effects now and in the future. One of the greatest ways you can reduce food cost is by supporting local farmers. Although local farmers still face high input costs, buying from local farms reduces or removes the cost of shipping (fuel), reduces packaging and removes middle men markups. Try checking out your local farmers markets in both summer and winter— I bet you will be surprised at all you can find. Additionally, I encourage you to learn how to grow some of your own food. Learn how to grow simple crops like lettuce, carrots, and beets. You will be amazed at the food you can grow! Small efforts like this can make a big difference in becoming less dependent on foreign markets. These simple changes can be more sustainable, more cost effective and often much more delicious and nutritious. Difficulty often provides us with opportunities to be introspective. Let the reality of rising food prices and potential food shortages ignite your desire for a greater awareness of your food system.