

HIGHER FOOD PRICES

Americans have spent less than 10 percent of their disposable income on food for many years. The days of cheap food may be coming to an end, however. Food prices are on the rise and there is every indication that consumers will suffer sticker shock for quite some time. With unemployment hovering near 10 percent, it is easy to understand why consumers are nervous.

A lot of land previously used for farming has now been developed with real estate. Few people have worried about that trend. Our society still has the mindset that "development" of land is a "higher and better use" than the production of crops. Agricultural products now trade on the international market, and Americans must compete against citizens of emerging nations like China and India for the purchase of food. How high must food prices go before people begin to value agriculture? We can cut back on entertainment, travel, and a host of other discretionary spending, but we can never stop spending on food.

A KSL news story this week reminded viewers of the reality of higher food prices. Reporter Jed Boal interviewed consumers who spoke of modifying their shopping lists because of rising food costs. Boal also referenced a monthly Deseret News cost comparison showing the average cost of bread has increased 39 percent in just one month. Corn prices are also at historic levels.

The UN Food and Agriculture Organization reports the January food price index at the highest level since it started tracking food prices 20 years ago. Natural disasters and questionable policies are some of the reasons given for this impact on our checkbooks.

The National Inflation Association (NIA) predicted that food inflation would become America's top economic crisis in 2011. Their logic had to do with the fact that America has, for decades, seen a boom in non-productive service jobs and a corresponding decrease in jobs that actually produce something that can be consumed. Agriculture, for example, currently makes only 1.2 percent of U.S. GDP, compared to the service sector which makes up 76.9 percent of U.S. GDP. NIA estimates that it takes at least six months for rising agricultural commodity prices to be felt by U.S. consumers in their local supermarkets. NIA has predicted that Americans will see double-digit food inflation in the first half of this year. Obviously, their prediction has merit.

In a recent New York Times article, Paul Krugman wrote of droughts, floods and rising food prices. He referenced recent extreme weather events such as the Russian heat wave, exceptionally dry weather in Brazil and unbelievable flooding in Australia. He also noted the growth of emerging nations such as China and questioned the subsidized production of ethanol, which consumes a lot of corn. Krugman contends that, "...economic growth and bad energy policy have played some role in the food price surge." He also argues that extreme weather conditions will become increasingly common.

A few weeks ago I listened to a radio commentator grumble about the difficulties of paying for produce in his food basket. He carried on as if his food costs were totally unreasonable. He did not point out the fact that over the years, prices for transportation, housing, education, entertainment and a host of other expenditures far outpaced the increase in food costs. Are food prices too high? Compared to what?

Farmers who produce grains are grateful to finally be paid a higher price for their product. Elevated input costs such as fuel, fertilizer and equipment tend to offset anticipated expanding profits.

As food producers, we accept the moral and ethical responsibility to help feed the world, but ever increasing regulations make production very difficult. Many of us are more worried about the economic survival of our farms than we are about world food supplies.

While it is a fact that all of us will be paying more for food, well informed individuals must confess that food is still a bargain. Be glad, also, if you have a barrel of wheat stored in the basement.