



Season 2 Episode 3 – Economic Outlook

February 6, 2023

Speaker 1:

Welcome to the Farming Basics Podcast with Olivia Fuller. We'll have sustainable farming tips from growers across the state and extension specialists at Auburn University.

Speaker 2:

Welcome back, everyone. It's your host, Olivia Fuller and your co-host, Jacob Kelley. Today, we have Professor Wendiam Sawadgo here. He's an extension economist, and we're going to talk about the rising food prices that I think we've all noticed, whether we're shopping or whether we're farmers. We've all experienced the increase in prices across the board. So Wendiam, why are consumers seeing price increases and farmers not necessarily receiving higher payments for their goods?

Speaker 3:

Since COVID, we've seen a lot of things happening to the economy in general talking about, I don't want to go too off the deep end economically, but just simple stuff like when we have a increase in demand, we tend to see prices increase. And then if we have a decrease in supply, we also tend to see prices increase. And so with COVID, we saw those stimulus payments, so a lot of people had extra money to spend on things. So that really increased demand for a lot of our products, especially agriculturally. So if we're talking about like steaks or we're talking about fruits and vegetables, people were buying a lot more. But then on the other side, we had supplies decrease. A lot of processing facilities, different types of markets were really shut down, which meant we had a lower supply of what was in the market, which also caused prices to increase. So we had prices just increase in general.

Now, as to why farmers aren't necessarily seeing all that money, it kind of happens with the supply chains in general. There can be a gap between where the farmers are producing the product to where the consumers are actually buying. And so a lot of times in the middle, you have processors or things like that which are taking a good chunk of those profits in general. And so we have seen farmers for some products see higher prices, but I guess I won't get too much into that. But they're spending a lot more to produce their product too, so even if they're seeing higher prices, the profits might not be up as much.

Speaker 2:

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Speaker 4:

So a lot of the growers, if you're doing retail, you can control how much you charge for produce and things like that to a limit. But then those guys that are doing wholesale, dealing with brokers and processors and things like that, they just get what is offered to them. Right?

Speaker 3:

Exactly. It's important to be able to as a farmer have a marketing strategy that works for your operation, where you have some control over the prices as much as possible if that's possible just as a way to mitigate all the different types of risks that can affect your prices received.

Speaker 2:

So how can we shop smarter? On the consumer side of things, what would be your suggestions for going to the grocery store or the lack thereof?

Speaker 3:

Well, I'd say number one is just to shop the ads when you're going to the grocery store. Plan out a list in advance. In prior years, if you're saving 5% or 10% off your grocery bill, you might say, "Ah, that's only a dollar or so. It doesn't matter." But now when we're looking at closer to the \$5 in savings, that starts to be important. If we're talking about fruits and vegetables in general, knowing different trends of how different products are changing. So with fruits and vegetables, processed food is up about 15% price-wise compared to last year, whereas fresh products are up closer to 8% or 9%. So it might be a good chance to switch towards some of that local or fresh food that you might find at a farmer's market instead of a grocery store.

Speaker 2:

Very good point. Yeah, I feel like the stigma around farmer's markets should be shifting now. I feel like I can get a lot more food and make it go a lot longer when I go to the farmer's market, and then I'm paying the farmers directly too. So it seems to be a win-win.

Speaker 3:

Yeah, that's a very good point. You can support your local economy and get some very good produce as well, so nothing bad about that.

Speaker 4:

Wendiam, how can farmers mitigate the rising cost of their inputs? Fertilizer is up, and all the growers I talked to, they're like, "It went up in the '70s, and it never went down. And it's going to happen again." Diesel's been up and down. All these inputs are going up and down. How can they mitigate some of that rising cost so that they can get more bang for their buck?

Speaker 3:

Well, Jacob, you're right. Prices tend to go up faster than they come down. I noticed rent is a big one, but one thing to do is with extensions, so I'm going to say soil tests. That's a big one where we have opportunities to reduce our fertilizer expenditures if we know exactly what we have in the field already. And so in the past, it's always been important to do that, but now it's even more important just because nitrogen prices are, what, 200% higher than they were last year. So that's a huge amount. Saving 10 pounds of nitrogen goes quite a long way. That's one thing. Just other planning in general, knowing how much you're spending. Enterprise budgets are something I'm always going to plug, but just knowing what's your cost of production on a per-acre basis because if you can compare the prices you're receiving for your product and build a marketing plan that goes along with how much you're spending to produce the product, that'll help farmers become profitable.

Speaker 2:

So what do high food prices mean for Alabama families?

Speaker 3:

It can be tough just this time of year especially, looking at those winter months. Thanksgiving was last month, and that's the highest food consumption day of the year. Christmas is up there as well. And then all the way until February, Super Bowl Sunday is actually the second highest food consumption day of the year. So that's a lot of expenditures people are spending just on food items. And so with food prices up about 7% compared to where they were last fall, they were up 6% last year already, so high food prices are getting even higher. It's really going to affect what people can spend for the holidays this year and just on their grocery lists in general.

Speaker 4:

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Speaker 3:

So a lot of food has seen a lot of different changes just over the past year and a half. Earlier, it was a lot of meat products were really expensive. Last fall, beef was really getting expensive. We've actually seen beef come down about 4% over the past year, so that one's getting a little bit more manageable for consumers. This year, we've had chicken, the bird flu. The highly pathogenic avian influenza outbreak has really affected some of our poultry markets, turkeys in particular. And eggs are now becoming really expensive. Eggs are up about 43% from where they were last year. So that's a big change. Cereal products, bakery items are up about 16%, so that's pretty sizable. But fruits and vegetables are only up about 9%, so they tend to look on the better side of things.

Speaker 2:

That's great for our horticulture farmers to hear, I believe. And it should entice consumers to start purchasing things and learning how to cook and utilize fresh produce in that manner because I feel like it seems cumbersome to some to purchase that and really know what to do with it once they get it home, especially if they have kids that aren't really familiar with eating things like that. But if it saves money, hopefully that will start enticing people because anything that's been handled by more than a couple people, it's definitely going to be more expensive, anything that's been processed in any shape or form. Well, that's really great news, I think, that we're looking at things maybe leveling out for a while. I think you gave us a lot of great pointers for consumers and growers to look towards. Thank you so much for coming on, Wendiam.

Speaker 3:

Thank you so much for having me.

Speaker 1:

This has been a production of Alabama Extension at Auburn University.