

Conservation Corner Article for November 9, 2021

Feeling the Supply Chain Blues

Or

It's 2021, What did you expect?

What the world is happening at the grocery stores these days? Prices have increased and there doesn't seem to be a consistent supply of much. It's like a surprise every time you go to the store to see what is actually on the shelf, and not in a good way. It's not a mystery, but it is definitely complicated as far as what's happening. COVID is not the only answer, but it's shaping the changes and prices we are currently experiencing.

Will Thanksgiving be more expensive?

Yes, Thanksgiving meal will be a bit more expensive but not really according to Jayson Lusk, a renowned food and ag economist. (You can find his blog at jaysonlusk.com). Food prices relative to income are a tad more expensive but not more expensive than in years past.

Food may feel more expensive because it's jumped quickly in the last year and it may feel scarcer. When walking into a grocery store and there are empty shelves of certain products it doesn't feel very comforting especially when it keeps happening for the last year or more. So, what is really happening? What's to blame?

Not the Farmers

Farmers aren't creating high prices of their commodities, meaning they don't set the prices they'd like to receive for the food they are creating. Mainly, it's China. China is buying massive amounts of our corn, soy, wheat, pork, and other goods. China's pork production has been severely affected by the African Swine Fever in their pigs. Pigs have absolutely no immunity to this virus and once it affects a herd, it's decimated. Lack of proper biosecurity on pig farms is the main culprit in China.

Drought in Brazil also helped boost American farmers profit in the grain sector. In recent years Brazil and the US are often neck and neck as world suppliers of corn and soybeans. With a shortage of their crops due to poor weather the price for US grain has really jumped.

However, with really good profits in the grain sector of American agriculture, beef and dairy prices are still not great. Sure, the prices have increased in the stores but that's not being passed on to the farmer. The 4 largest meat packing companies are making the bulk of the money there, prompting Congress to investigate the price discrepancies between what the farmer gets and what the packer is charging their outlets. Through USDA and state funded grants there are opportunities for smaller and regional independent processors to get back online. Many closed for business decades ago when consolidation occurred. Now there aren't enough regional processors to meet the demand created by consumers wanting local meat.

Dairy is just an enigma when it comes to profits. It's complicated at best, and the Federal Milk Marketing Order needs to be tossed and recreated, but no one in Congress has the fortitude to

plow through that order. It's a beast. Dairy farmers often buy some grain in the form of soy or corn meal, and those prices have really increased. So much so that according to Yahoo Finance, "The U.S. herd shrank by 85,000 cows between June and September, the biggest four-month drop since 2009." Thank you, Nathan Veddler, for sending this!

Expensive feed means dairy farms really need to cull unproductive cows and not adding more cows that won't be productive. This effort won't impact your dairy product purchases too much, in the short term.

But there's more!

Labor issues have been and will continue to plague everything in America for a while. Economists aren't exactly sure where the people have gone and why not all of them are returning to work. Lack of good childcare is a key factor as well as people just retiring early. Take home pay is higher and that's all passed on to the consumer.

Energy constraints. This is probably the most complicated because governmental policy is driving this one primarily. The US government is developing and pushing renewable energy sources that are clearly not yet able to supply our nation's needs while cutting petroleum-based energy supplies is absolutely making our nation more dependent on foreign petroleum. There is no new investment into new sources or technologies in petroleum. This is a problem not only for fuel, but packaging. Look at all the packaging needed for just food items!

Specifically, for agriculture, fertilizer, pesticides, and fuel prices are going through the roof. Fertilizer and pesticides have jumped 50% over 2020 and will double or triple again this next growing season, all because petroleum and natural gas supplies are not being refilled fast enough. Why? Shutdowns of pipelines like the Keystone pipeline with a moratorium on any new infrastructure or creation of new petroleum sites. Natural gas is used for heat in homes, but also in poultry barns, pig barns, grain dryers, and is used to create nitrogen fertilizers. Until the supply is back to normal levels everyone is going to see elevated prices in natural gas products.

China has also stopped exporting phosphate for phosphorus fertilizer.

Bullwhip effect

Dr. Trey Malone, MSU Extension Economist, in a recent conversation, pointed out that because of COVID our buying habits have changed in small ways that have impacted the supply chain. This creates a bullwhip effect, meaning the more changes along the supply chain the greater effect down the line. There is not a good answer as to how to solve these constraints.

Solutions

One, be patient and be flexible with food choices. If the store isn't carrying your favorite cereal that day, what is something similar at that price point? Plan. If you see something you'll need for the holidays and can freeze it, get it.

Buying in bulk locally can be a good way to save money in the long run especially on beef and pork. That is if you have the room in your freezer. One Michigan beef producer, Jennifer Smith, did the math on a quarter beef bought from her farm vs the price from Meijer including sales prices from October 15, 2021. Buying from a farmer saved the purchaser over \$100. That savings goes up when buying a half or whole animal.

If you garden and canned or froze produce, you have already reduced your overall food costs. For next year, my advice is to buy things in bulk from local farmers or grow your own and preserve it. Some farms still have some produce on hand to sell.

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50lb bag of russet potatoes for sale at Eisenga Farms, near Marion.

Photo Credit: Jodi DeHate



Washed and sorted potatoes ready for shipment to be packaged. Eisenga Farms, near Marion

Photo Credit: Jodi DeHate



Angus calf from Circle K Meats, near Falmouth –

Photo Credit : Keiana Koster Photography



Beef cow from Circle K Meats, near Falmouth

Photo Credit: Keiana Koster Photography



Grocery store shelves a bit bare

Photo credit: Jodi DeHate