

DeMarrais: Coming soon to a supermarket near you - higher prices - NorthJersey.com

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It isn't nearly as corny as it should be in Kansas this August — nor in Iowa, Nebraska or dozens of other states across the Midwest — and that means higher prices at the supermarket.

But not quite yet.

We've heard dire warnings and seen scary pictures of dried-up cornfields across the nation's farm belt, but our (admittedly limited) survey of North Jersey supermarket chains last week shows that while the worst drought in half a century is expected to lead to higher food prices, the impact on consumers has thus far been limited.

But don't think you'll escape; the summer drought will mean higher prices by year's end, says Brian Todd, president and chief executive of the Food Institute, an Upper Saddle River-based trade association.

"The drought impacting crops currently is not being felt at the consumer level," Todd said. But it will be in three to six months, and sooner with chicken prices. Even if conditions improve in the next few weeks, it seems to be a matter of how much prices will go up — predictions are in the 4 percent to 5 percent range — not if they will.

"Until the crop is gathered up and put in the barn, that's when we'll really know the full impact it will have," Todd said. "That's still a few months away."

Ironically, before then, beef and pork prices could drop short-term, as farmers sell off their stock, giving consumers a chance to stock up before they head north.

Some prices have already risen — the Record's Marketbasket Survey shows ground beef and chicken up more than 12 percent in the past year, and sale prices are often as high or higher than regular prices were 12 months ago — but the Consumer Price Index for food at home has shown only modest increases at the retail level.

But the Producer Price Index for food and feed already in the pipeline — which measures wholesale prices, making it a good predictor of future retail trends — was up 1.4 percent in July (the biggest one-month jump in a year) after rising 1 percent in June.

More than half of that is due to the cost of prepared animal feeds — products further along in the pipeline — the government said.

Shoppers I spoke with at local supermarkets last week were aware of what was happening, but most took a there's-not-much-I-can-do approach.

Like others, Donna Manaut of Lodi says she'll combine several strategies, including sale shopping, changing from brand names to generics and switching stores, to stretch her food budget. "You do what you've got to do," she said.

That includes different types of meals, with more vegetables and less beef for her family of six, said Joanne Casa of Wayne.

There's no secret to the culprit.

"The most extensive drought in half a century has ruined one of the most promising harvests in U.S. history, and U.S. crop prices surged as the prospect of a bumper crop evaporated," said the Federal Reserve Bank of Kansas City.

Estimates from the Department of Agriculture are that this year's corn crop would fall below 11 billion bushels for the first time in six years and the number of bushels yielded per acre was at a 17-year low. In addition, soybean production was forecast at a five-year low. Both are mainstays of animal feed, so smaller yields on the farm translates directly into higher prices in the supermarket.

The impact of higher feed-grain prices extends beyond beef, the Fed said. Hog and poultry raisers "are also bracing for rising feed costs and falling profits," and the dairy industry is "dealing with the devastating effects of the drought," with heat stress lowering milk production.

In addition, since corn is used extensively as a sweetener, higher wholesale prices means you could pay more for packaged foods, although the impact will be less because the grain is a small part of the retail price of corn flakes and other products, Todd said. About 40 percent of the corn crop is earmarked for ethanol, and using it instead for feed grain might ease price pressures. But changing fuel blends can be tough in the short term, he said.

The bottom line is that if historical patterns hold, consumers can expect to pay higher food prices over the next year, the Fed said.

"I haven't noticed [the increases] yet," said Mike Fitzgibbons of Hasbrouck Heights. But when they come, he says he's ready to do without or switch to a lower-priced alternative. "As much as I might like it, I'm not going to pay the inflated price," he said.

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