

## Higher Food Prices on the Horizon

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EDISON — Food manufacturers and retailers are bracing themselves for higher product costs should farmers choose to plant less corn this spring in favor of potentially more profitable crops. This could affect everything from corn flakes to corn-fed beef. Already wrestling with skyrocketing fuel prices to transport food, wholesale distributors like Wakefern Food Corp. in Elizabeth worry corn will be the latest expense to pinch profits.

“We’ve talked about the price of vegetable oil going up. We have already seen the price of eggs increase,” says Wakefern spokeswoman Karen Meleta. “Anything where grain is involved as a feedstock, we have seen increasing prices.”

Wakefern is the owner of the ShopRite brand and distributes products to the cooperative of 200 stores in the ShopRite chain. Meleta says higher transportation and raw material costs on grains such as wheat are already hitting distributors and retailers. “Manufacturers are experiencing price increases in the commodities they use in their products,” she says. “Prices will be going up.”

Meleta says Wakefern, anticipating higher food prices in general, is already promoting its own private label, value-priced products to keep consumers shopping.

Higher corn prices have the potential to broadly affect the food industry. Corn is used as a feedstock for cattle, poultry and pork, as well as a key ingredient for cereal, flour and other products.

Corn futures hit a record high of \$6 per bushel this month, up more than 25 percent from January, according to the Chicago Board of Trade. The price of the grain shot up on news that fewer acres would be planted this year.

The U.S. Department of Agriculture released a report this month projecting an 8 percent decline nationwide in corn planting. According to the agency, farmers across the country are expected to plant 86 million acres this spring, down from 93 million acres planted last year. Farmers are shifting some of their land to soybeans and wheat, which traded for about \$12.60 per bushel and \$9.50 per bushel, respectively, last week on the Chicago Board of Trade.

If corn continues to climb in price, the food industry may take it on the chin. “It’s a rough time right now,” says Michael Ryan, executive director for the Eastern Perishable Products Association in Wanaque. EPPA represents distributors and retailers of perishable foods such as deli meats, seafood and produce.

Ryan says manufacturers may shrink the size of their products to save money but that may not be enough to save distributors and retailers from losing cash. “Raw material and transportation costs are rising more quickly than they can be passed through to the consumer,” he says.

The high price of corn was one of many topics discussed last Wednesday at EPPA’s Show and Sell Conference in Edison. The trade show brought together food manufacturers, retailers and distributors to the New Jersey Convention and Exposition Center. Guest speaker Jim Prevor, editor of PerishablePundit.com, said in an interview that food price inflation is more easily absorbed in a strong economy.

“These are commodity-driven increases,” he says. PerishablePundit.com, based in Boca Raton, Fla., provides analysis of the perishable goods market. Prevor says he expects demand to shift if prices get too high on corn-reliant products. “These things tend to be very cyclical,” he says. “If cornfed beef becomes very expensive, more people want to eat seafood.”

Fellow guest speaker Lou Cooperhouse, director of the Food Innovation Center at Rutgers University, says manufacturers may respond to rising costs by changing up their offerings. “One way to minimize the impact of raw material price is to diversify your products,” he says.

Corn farmers want to allay concerns that a decline in planted acres will translate into higher costs to the rest of the market. Ron Litterer, president of the National Corn Growers Association in Chesterfield, Mo., says the current projections are still almost 8 million acres higher than corn plantings two years ago. “It is the second-highest planting of corn acreage since 1949, second only to last year’s planting,” he says.

For Now, corn looks like fresh gold to farmers. “Only two years ago, we were selling \$2 corn,” says Litterer. “That doesn’t give us much of a return.”

No decisions have been made on the planting season and Litterer, an Iowa corn farmer himself, says more corn may be planted than anticipated. The recent pricing has made the crop an attractive option for farmers, he says. “In Iowa, the corn planting time is the last week of April and the first week of May,” he says. “There is still time to decide planting intentions. Right now the economics favor corn over soybeans.”

Litterer says while corn farmers may vie for better prices, the market cannot sustain those levels.

“We like the higher prices we are seeing. It is good for us but we need stable demand for our product,” he says. “The levels right now may reduce demand down the road.”

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