

NEWS RELEASE

Contact: Lee Meyer, 859-257-7272, ext. 228

By Aimee Nielson

Food Prices Affected by Drought?

LEXINGTON, Ky. (Nov. 14, 2007) — Like much of the Southeast, Kentucky has suffered in a variety of ways thanks to the 2007 drought. The severe drought has impacted everything from farm production and yield levels to domestic water supplies. Even with a cooler fall and some recent precipitation, many consumers may be wondering if the drought is going to affect the amount they pay for food. University of Kentucky Agricultural Economist Lee Meyer said the answer is a surprising “no.”

“Many folks who have driven across the Southeast would probably think otherwise,” he said. “But, here is the situation. First, there are few products primarily produced in the Southeast. Kentucky is a major cattle-producing state — the largest cattle state east of the Mississippi River, in fact, and in the nation’s top 10. However, we still only produce 3 percent of the feeder calves in the United States and, if you add up the parts of the Southeast experiencing drought, we still only account for 14 percent of the feeder cattle. So, while the cattle operations were hit hard, the drought’s impact on their production will have only a minor impact on total U.S. supplies.”

Meyer said looking at other products would yield the same results.

“Whether it’s tomatoes, cotton or tobacco, the impact of the drought on total supplies will not be a noticeable factor in consumer-level prices,” he added.

Meyer went on to explain another factor reducing the drought’s impact on food prices is the value of the raw product in the grocery store price is small and often minor. A beef producer only gets about 50 percent of the store price and someone growing tomatoes gets roughly one-third of the grocery store price. The share for bread and other processed products is less than 10 percent. Meyer said that even a 20-percent increase in farm-level prices will become watered down by the time the product reaches the store shelves.

“What is getting a lot of attention is the increase in corn, soybean and wheat prices,” Meyer explained. “Again though, the drought is not to blame here. In this situation, the culprit is the demand for corn in export markets and the demand for corn for ethanol. This raised the price of corn and set off a chain of events. More acres going into corn means fewer acres for other crops and thus, higher prices for cotton, soybeans and wheat.”

When everything is measured, the increased corn demand for fuel will have a greater impact on food prices than the drought — and even that will be barely noticeable, he said.

Meyer emphasized that doesn’t mean the drought has not been a problem. On the contrary, the lack of rain has reduced farmer incomes because they have fewer pounds of feeder cattle, corn, soybeans and tobacco to sell.

“It’s also resulted in higher costs because they have to buy feed they normally would produce on the farm,” Meyer said. “They have to pay for irrigation for vegetable crops. We have to remember that as farmers’ incomes decline, their families are not the only ones to suffer from that loss. The rural economies, which depend on the flow of dollars through their communities, suffer as well.”

Writer: Aimee Nielson, 859-257-7707

UK College of Agriculture, through its land-grant mission, reaches across the commonwealth with teaching, research and extension to enhance the lives of Kentuckians.