

Agriculture by Patricia Salisbury

Higher food prices on the way

The drought on U.S. farmlands will fast translate into more costly food, and soon, food shortages.

Warning signs are now appearing in supermarkets and other stores throughout the country that higher food prices are on the way. As this publication has indicated, the effect of the drought now devastating our nation's farmland will shortly be translated into radically higher food prices, and then into actual shortages of staple foods.

This is occurring despite the assurances of the U.S. Department of Agriculture and other government agencies that U.S. food reserves will permit the nation to weather the drought without serious damage. USDA analysts have so far added just one percentage point to the official forecast for increased food prices this year. However, the view from the supermarket looks quite different.

Reports are reaching *EIR* from around the country that increases in food prices are now being prepared at neighborhood supermarkets and mom-and-pop grocery stores. In some cases, they have already been effected.

In mid-July, the *Los Angeles Times* did a spot check comparison with July 1987 of prices for some food items. They found that a national brand of corn chips that cost \$1.29 in July of last year, is now priced at \$1.69. A package of corn tortillas that cost 69¢ a year ago, now costs 79¢. The *Times* survey also found that while cattle and hog prices have fallen sharply due to a glut of livestock on the market resulting from high feedgrain costs, these decreases are not reflected in the retail market. A T-bone steak which cost

\$2.49 a lb. a year ago, is now priced at \$2.79.

A more comprehensive picture of what the consumer can expect is provided by a letter circulated by National Super Markets of St. Louis to its employees on July 11. The letter detailed expected increases in the prices of food staples, and also warned that for certain categories of food, there would be serious shortages:

Flour prices will climb by 19%. Sugar prices will go up 8% or more by September, and beet sugar may be completely unavailable. Salad oils based on soybeans, which are at record high prices, will go up 12-15%. Margarines, also soybean based, will go up 10%. Pet food prices will be higher due to the soybean component.

Cereals based on wheat, corn, or oats are up 8% and will go higher. Canned vegetables will go up 18% and be in short supply. Canned fruits will go up 10% and be in short supply. Cake mixes will go up shortly, with sugar and flour up now. Pasta is up 7%, and will go higher due to increased wheat prices. Mayonnaise is up 7% and will go higher. Paper products are up 9% and will go higher. Dried beans are up 15% and will be in short supply. Plastic bags are up 8%. There will be a shortage of paper plates and cups due to selling of paper to European markets at higher prices.

These warnings and projections are by no means limited to the St. Louis chain. In Stamford, Connecticut, an A&P grocery store is displaying the

following sign in the cereal section: "To our valued customers: Kellogg's is experiencing severe production problems and will be delaying our orders through the end of July. Please bear with us as we may be temporarily out of stock on certain items."

The PX on a nearby military base is also displaying signs warning customers that food prices will be increasing.

Restaurant owners in Pennsylvania are being privately warned by meat wholesalers to expect drastically increased beef prices. At one recent meeting of wholesale beef suppliers, distributors were informed that the price of a rib eye of beef, the most demanded cut, would increase from its current wholesale price of \$3.92 per pound to \$20 per pound by Christmas!

Food industry executives and consultants are predicting that what they are referring to as "sticker shock" will set in around November with the first double-digit percentage increases since the 1970s for many items. Fresh, high-quality produce is expected to be in short supply in many regions. Turkey prices are now rising at a rate that will put them above \$1.20 a pound by Thanksgiving, about double what they were last fall. Wholesalers in Minnesota have already raised their prices 30% on corn and 50% on peas. According to industry spokesman, while a typical "special" last year for canned peas and corn was five cans for \$1, this year's special is more likely to be two cans for 89¢.

California-grown fruits and vegetables are expected to be shipped throughout the country to fill shortages elsewhere, but they will sell at increased prices. Already, California fruits are selling at higher than normal seasonal prices, with prices failing to fall at the rate which they normally do in the summer.