

Economy Reeling-Wake-up Call for Consumers

Just in case you have been living in a cave for the last six months, there have been escalations in the price of gas, devaluation of the American dollar in relation to foreign currency, and a crippling shortage in the available foreign labor pool for farmers and non-agricultural enterprises as well.

It appears that even Congress is getting the point from an increasingly hostile public, impacted by rising food costs and farmers demanding action—particularly about the lack of available workers in the field at reasonable costs to farmers. As a result of these conditions, we are experiencing a slump in our national economy, the stock market is falling and investors and businessmen seem to be heading for the hills during the interim period—or at least until the dust has settled.

And the American public is getting a taste of higher food and commodity prices at the table. The breadbasket of the world—as we used to think of our nation—is becoming pricier and stingier with her bounty.

Here is the mood of the nation, with the help of writers from the media pointing out some sore spots. There is this out of Oregon, from *“A pricier picnic:”*

... “the prices of foods like fruits and vegetables are on the rise, while a lot of what is considered “junk food” is decreasing.

“I don’t judge people’s preferences, but that is going to impact their budget, and some things in the food basket are getting cheaper,” he said.

“But shoppers in Bend can still find deals. While the average prices of most items at the three stores visited here were higher than the CPI, sale prices were as low as 88 cents for a pound of hot dogs and 79 cents for 2 liters of soda.

“In addition to fuel costs, Searle said the costs of livestock feed and farm fertilizer have gone up in recent years. He also cited increased labor costs as contributing to increases in food costs.

“Research from the U.S. Department of Agriculture shows that nearly 40 percent of the cost of farm-related items went to pay for labor costs in 2006.”¹

From the RGE Monitor.com website (Roubini Global Economics, LLC. website) there is this general accounting of the present economy due to the labor situation:

“Labor market numbers are amongst the most widely watched indicators when the economy is slowing, especially when the epicenter of the crisis are the housing and financial sectors that have supported consumers all these years. Amid falling home prices, return on assets, high debt, tighter credit conditions and higher cost of living, consumers are now losing their last hope (employment).

What are the Indicators Showing?

“**Payrolls** in spite of being lagging indicators usually start softening as the economy slows and turn negative when the economy enters a recession, moving

back to the positive territory only after the recession ends and recovering slowly thereafter. Job creation started slowing since mid-2007 but has turned negative since Jan 2008. **Job growth** has in fact turned negative on a 3-month moving-average and quarterly basis since Feb 2008. Job growth on a 12-month moving-average and yearly basis has also slowed starting Jan 2008.

"Usually, the **hiring rate** is flat as the economy enters a recession and continues to remain subdued or decline for two years before recovering. This time too, it is the significant slowdown in hiring (of both unemployed workers and new labor force entrants) that is contributing to the labor market weakness. Hiring started slowing since Q3 2007 as firms facing uncertain economic prospects and rising costs have been less eager to hire workers."²

Specifically, how does the labor shortage translate in terms of agricultural interests and food prices? Well, consumers are feeling the heat even in our nation's capital, Washington, D.C. Here is an indicator of that from a reporter with *The Washington Post*:

"The increase in food prices is wreaking havoc across the globe, but the food crisis is not confined to "over there" in Egypt, Bangladesh or Haiti. It's affecting many people in the Washington region.

"We all need to balance our checkbooks, and escalating food costs are making that more difficult. For less affluent members of our community, the challenges posed by rising food prices can be nearly impossible to meet. In response, many low-income residents are turning to less expensive and less healthful canned and processed foods. Some have been forced to cut back on how much they eat, skipping meals and going to bed with empty stomachs. Summer camp lunch programs are trimming fresh fruits and vegetables. Such changes will contribute to long-term health issues, including obesity.

... "For the long term, we can advocate and work toward policies that support farmers markets, community-supported agriculture and other initiatives to grow and sell food in a sustainable manner. (*That would include hiring foreign workers on an "as-needed" basis.*) A particular focus is public-private efforts to distribute more reasonably priced fresh food in low-income neighborhoods.

"With food prices seemingly on a one-way escalator up, it's especially important that we in the Washington area "think globally and act locally." The time to act is now."³

¹ Cindy Powers, "A pricier picnic," July 04, 2008. Website at: http://www.bendbulletin.com/apps/pbcs.dll/article?AID=/20080704/NEWS0107/807040411/1002&nav_category=. (accessed 7-5-08)

² Arpitha Bykere, "U.S. Labor Market Dynamics Amid a Slowing Economy," Jul 3, 2008. Website at: http://www.rgemonitor.com/economonitor/252911/us_labor_market_dynamics_amid_a_slowing_economy. (accessed 7-5-08)

³ Arthur B. Keys Jr., "The Food Crisis Hits Home," July 6, 2008. Website at: <http://www.washingtonpost.com/wp-dyn/content/article/2008/07/04/AR2008070402133.html>. (accessed 7-6-08)