

Crop Production

Will retail food prices decline in 2009?

Eye on Agribusiness

By BILL KNUDSON



LOWER agricultural commodity prices and gasoline prices should lead to lower food prices sometime in 2009, but according to some reports, food manufacturers are

resisting reducing their prices, despite efforts by retailers to cut prices. According to a Dec. 15 article in *Supermarket News*, some manufacturers are attempting to raise prices further in 2009. This could be due to manufacturers' inability to fully pass on past input cost increases to consumers in 2008.

There is a good chance that the manufacturers will not be successful. As a result of scanner technology and other technological improvements, supermarkets now have access to information that food manufacturers do not possess. This gives them an advantage over food manufacturers when negotiating prices.

Many food retailers now offer private label food products. In fact, private label products have become a major source of profitability for retailers. Also, putting downward pressure on prices is the general economic situation. As incomes

Not a banner year for Michigan fruit

MICHIGAN apple production was 560 million pounds, down from 770 million pounds in 2007, according to the USDA National Agricultural Statistics Service, Michigan Field Office.

The preliminary farm level value of the utilized crop was \$121 million. Michigan ranked third in U.S. apple production behind Washington and New York that produced 6.10 billion pounds and 1.23 billion pounds, respectively.

Tart cherry production was 165 million pounds, down 16% from the 196 million pounds produced in 2007. The average yield was 6,370 pounds per acre. The preliminary farm level value was \$64.8 million. Sweet cherry production was 26,500 tons, down from 27,300 tons produced in 2007. The average yield was 3.68 tons per acre. The preliminary farm level value was \$15.2 million.

Cultivated blueberry production in Michigan was 110 million pounds, about 32% of the U.S. total. The farm level value was \$124 million.

State strawberry production was 4.9 million pounds on 800 harvested acres. The farm level value was \$5.8 million.

Peach production was 28 million pounds, down from 41 million pounds in 2007. Total bearing acres were 4,300, and the farm level value was \$9.1 million.

Pear production was 2,850 tons on 800 acres with the farm level value at \$1.2 million. Plum production was 2,300 tons on 650 acres, and the farm level value was \$821,000. Grape production was 73,700 tons, and the farm level value was \$26.8 million.

Key Points

- Food manufacturers are resisting to reduce food prices.
- Supermarkets have access to information that food manufacturers do not possess.
- Private-label products have become a major source of profitability for retailers.

stagnate or decline, consumers will be less willing to pay higher prices. This is occurring with luxury food items.

The same issue is facing farm input suppliers, especially fertilizer. As corn prices and other crop prices have declined, the ability of farmers to pay the fertilizer prices that prevailed in 2008 has also declined. There is downward pres-

sure on fertilizer prices. This puts some sellers of fertilizer in a difficult position; as in some cases, these firms have locked in high prices and will be unable to pass these on to farmers who can grow corn or save costs and grow soybeans.

Knudson is a product marketing economist for the Michigan State University Center for Product Agriculture.



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