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# *Mid-Year* STATE OF THE INDUSTRY

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**Inflation is exacting a significant price**

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By

Tim Linden

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Inflationary concerns are an issue. The direction of the economy is being watched by pundits, economists and businesses throughout the country and the world.

The latest numbers from the U.S. Bureau of Statistics revealed that the annual inflation rate in the United States accelerated to 8.6 percent in May of 2022, the highest since December of 1981. Energy prices rose 34.6 percent, while food costs climbed 10 percent, the first increase of 10 percent or more since March 1981. Big increases were seen in prices of meats, poultry, fish and eggs. However, the core inflation rate did slow for a second month in a row to about 6 percent.

Rising prices in the grocery aisle and at the gas pump are real. Those are real dollars being spent and industry representatives are noticing the impact.

Stephen Patricio of Westside Produce, based in Firebaugh, CA, said farmers are feeling the pinch with most of their inputs. "Fertilizer has gone up 300 percent and we can't get it," he said, combining the double whammy of high prices and supply chain issues.

Patricio said both those issues have also greatly impacted the shipping of the product he sells. Westside is a melon distributor and as the summer season approaches, the cost to ship a load of cantaloupe across the country may well equal the cost of the load itself. "In California, we are putting \$10,000 worth of melons on a truck that is costing another \$10,000 to send across country," he said, noting the craziness of that calculation.

While many factors have driven up the price of California farmland, inflation has also played a role, and Patricio said the cost of some farmland has also risen to a "craziness" level. He noted that investors are buying land and not even bothering to farm it, but rather content to hold it and watch it increase in value. Taking land out of production can greatly impact leasing costs for your traditional farmer.

Commenting on the impact of inflation on produce prices was Steven Muro, president of Fusion, a marketing company that uses data and analytics to help drive produce sales for their clients. "Inflation has soared since the start of the year, with produce prices increasing 8 percent on average," he said.

He has observed that many retailers have held off passing direct price-increases on to their shoppers. This has reduced the retailers' margin and has also resulted in many retailers shying away from offering new promotional discounts. He did note that supplier-sponsored promotions can still find a place at retail.

Vince Mastromauro Jr., produce director for Sunset Foods, based in Highland, IL, is one of those

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retailers struggling with how to pass the price increases on to his customers. “I know customers do not like sticker shock. I have reached out to my wholesalers and have told them to charge me what you must but be careful of sticker shock. I’m conservative. If I have to go up \$1 in my price, I like to do it slowly, maybe 50 cents at a time. It seems as if everything is higher priced, as much as \$15 to \$25 a case,” he said of his produce inventory.

Matt Lewis, president of Western Growers Financial Services, took a macro view of the economy and inflation saying that things will probably get worse before they get better. “I do believe we will be in a better position a year from now than we are today,” he added.

Lewis said the U.S. government and the various agencies involved in fiscal policy did “overstimulate the economy” over the last several years for a variety of important reasons. That pumping of billions of dollars into the system did have benefits including very low unemployment, but he said there is a correction currently in progress “and it’s going to be a tough sled moving forward.”

[Tim Linden](#)

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## About Tim Linden |

Tim Linden grew up in a produce family as both his father and grandfather spent their business careers on the wholesale terminal markets in San Francisco and Los Angeles.

Tim graduated from San Diego State University in 1974 with a degree in journalism. Shortly thereafter he began his career at The Packer where he stayed for eight years, leaving in 1983 to join Western Growers as editor of its monthly magazine. In 1986, Tim launched Champ Publishing as an agricultural publishing specialty company.

Today he is a contract publisher for several trade associations and writes extensively on all aspects of the produce business. He began writing for The Produce News in 1997, and currently wears the title of Editor at Large.

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