

GROWERTALKS

Acres & Acres

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What Keeps You Up at Night?

Chris Beytes



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That's one of my favorite questions to ask at the end of an interview. It seems to get right to the heart of what's weighing most heavily on a grower's mind. This year, I'm hearing the same three answers: Inflation, the supply chain and labor/wages.

There's only one person I know who can put these three insomnia-inducing topics in perspective and that's Dr. Charlie Hall at Texas A&M University. So I called Charlie and asked him to wax poetic on what's happening out there, and why, and maybe give us some reason for hope.

On inflation. "There was, obviously, a significant increase in the cost of inputs for growers in 2021," said Charlie. "In fact, my model [his Index of Prices Paid by Growers] shows 9.85% across the board—including all the major inputs that growers use (meaning containers, media, propagation

materials, fertilizers and so on). My forecast for 2022 is that we've got another 4.73% headed our way. We're not done with this yet."

That sounds bad, but there's good news: "Those are not increases that are going to continue infinitum; for instance, container manufacturers are going to put out containers like nobody's business as soon as they get their hands on the inputs they need," Charlie assures us. "And, fortunately, it's not going to take two years to get back on track. By the end of the year—for sure by mid-2023—we should have a lot of these inflationary pressures in check, and at least by spring '24, we'll be back to 'normal' levels of input prices."

On the supply chain. "There's still going to be some pressure on freight rates and we're 80,000 drivers short across the entire trucking industry right now—it could be as much as 100,000 very shortly." Charlie said his model shows a 6% increase in trucking costs, adding, "That's conservative. Some models are saying 8% to 10%." However, there are some changes coming along that could help with that, such as allowing younger drivers to cross state lines.

"Most of the supply chain pundits I follow are saying we'll find some significant progress by mid-year," Charlie said hopefully. "But it's going to take the rest of the year for a lot of these wrinkles to get ironed out."

On labor and wages. "We don't really have a labor issue in the industry, we have a wage issue," says Charlie. He calls the rising wage situation all employers are facing "the great catch-up" because of how far behind the Employment Cost Index we are to where we should be. He explains that since 1984, wages have been slipping

relative to inflation. The recent successful push for \$15-plus starting wages has brought the cost of labor almost back to 1984 levels. I asked Charlie if \$15 to \$18 an hour is where we as an industry ought to be.

“Even higher,” he answered frankly.

There’s bad news and good news with wages. While the supply chain will improve and most input prices will come back down, our higher labor costs are here to stay—we’re not going back to \$7.50 an hour. However, the rate of the growth of wages will ease. We went from \$10 to \$15 very quickly; future increases should be at a much more manageable pace.

As for finding workers, Charlie says pay is the tangible reason people come to work for you. “There are a whole lot of intangibles that we can excel at,” he says. “If only we would.” Those include the simple pleasure of working among plants, the health and well-being benefits of our product, and the friendly family nature of our industry.

“If we focus on both paying and retaining key people, then we’ll be okay,” he says. “But if we insist on paying the pittance salaries that we have in the past, we’ll be behind the 8-ball.”

On what to worry about. To answer that, Charlie described a two-circle Venn diagram: “There’s things that matter in one circle and the things you can control in another circle. Where those two circles overlap is where you should focus your time and attention. You can’t control the number of truck drivers. You can’t control the rate of inflationary pressure. You can’t control whether the Federal Reserve raises interest rates or not. Don’t lose sleep over these issues. They matter, but you can’t control them!” **GT**