



# From Farming to Inflation: Energy's Impact on Our Food Supply

People across America should prepare for groceries to take a bigger bite out of their wallets. A routine trip to the store for milk, eggs and bread is currently [costing shoppers](#) over 10% more than it did just a year ago.

One of the most significant contributors to increased prices are rising energy costs that significantly affect farm expenses. This is because fuel and electricity account for about 15% of [U.S. farm operating costs](#). [Crude oil](#) prices recently surged to more than \$123 per barrel – the highest price in 14 years. And, the cost of natural gas has also spiked, with spot prices rising [\\$1.36](#) the week ending May 4. These soaring energy prices are ultimately reflected in the price of food at grocery stores and in restaurants.

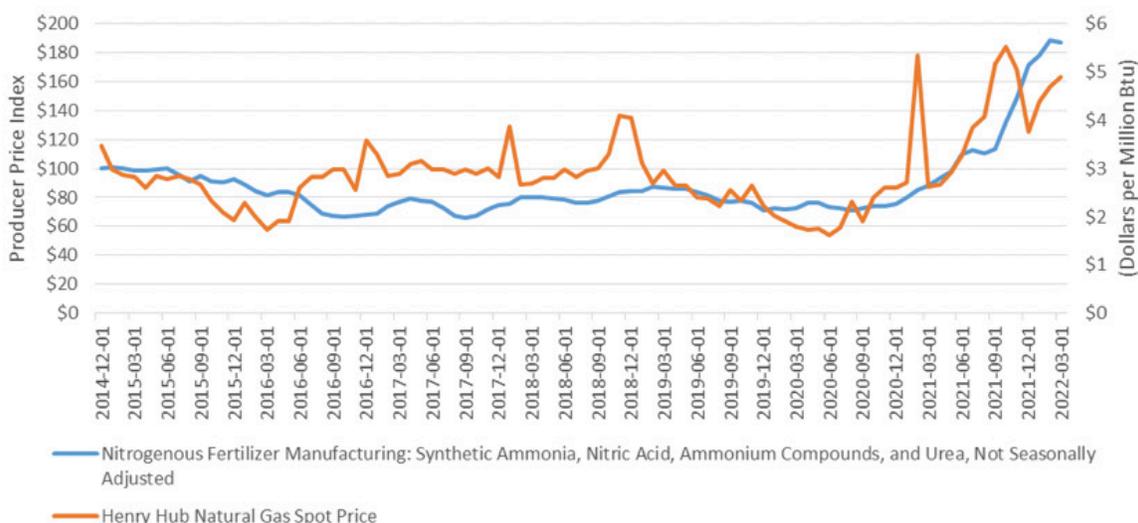
## From Farm to Grocery Store

Energy is integral to U.S. farm and ranch operations. The [agriculture sector](#) accounts for almost 2% of total U.S. end-use energy consumption. Gasoline and diesel power machinery, and currently there is no substitute for a molecule of oil. Every acre of [row crop production](#) requires on [average 6 gallons of diesel fuel](#) to power farm equipment. As a result of rising diesel prices, farmers will now pay more than \$9.6 billion – a 96% increase over 2021 – for this fuel alone.

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More than transportation fuel costs, farmers are also impacted by rising natural gas and propane costs used for heating structures and crop drying. Additionally, natural gas is also an important feedstock used to produce fertilizers and some pesticides. As a key component in crop production, fertilizer prices alone account for roughly [one-third of farm operating costs](#). Finally, electricity powers other parts of the irrigation systems and cools buildings.

### Nitrogenous Fertilizer Manufacturing Producer Price Index Compared with Natural Gas Spot Price



Source: U.S. Bureau of Labor Statistics, Producer Price Index by Industry and U.S. Energy Information Administration

These skyrocketing energy prices are driving up the price of both domestic food and fiber. With few alternatives for fuel or power, the cost of all farm goods from produce to meats is now part of America’s overall inflationary spiral. This escalating cycle of cost increases is compounding the challenges already facing American families struggling with historic inflation, high gas prices, and a slowing economy.

In addition to commodity prices, the food marketing system is also impacted by high energy prices. Energy is vital for processing, storing, and transporting food to grocery stores and restaurants. It is estimated that processing raw ingredients into the finished products Americans consume on a daily basis requires [1.6 quadrillion](#) British thermal units (Btu) of energy each year - roughly [equivalent to](#) the State of New Jersey’s total 2019 energy consumption. Food handling and storage accounts for an additional [5 quadrillion](#) Btu per year.

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The cost of transporting goods to market have also risen with those same skyrocketing diesel prices taking a toll on America’s trucking industry. With the price of diesel reaching [\\$5.62](#) per gallon on May 11, 2022, the average price to fill up a semi truck now costs truck drivers [\\$731](#) more than a year ago. This has forced some truckers to consider leaving the industry or changing the type of goods they transport to remain profitable.