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When Bellies Talk, It’s Time to Listen



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t’s a terrifying thought for many who rely on coffee to function at even the most basic level: the cost of an everyday cup of joe may soon be as steep as that of the rare *kopi luwak*, easily a three-figure caffeine investment.

The story of coffee is in some ways the story of many foodstuffs.

A combination of supply-chain difficulties and extreme weather destroying key crops has caused shortages that have sent prices soaring. There is one important difference, though: While coffee may feel like a necessity, it isn’t. Other pantry staples are. And food inflation doesn’t just deplete savings and hinder long-term growth; it destabilizes societies in profound ways, including civil unrest, mass migration, and protectionist government

responses. “Two weeks on short food rations and people get very antsy—or desperate,” says Robert Wright, a senior fellow at the American Institute for Economic Research.

World food prices began an upward climb in mid-2020. While consumer increases have seen a more modest rise over that time, producer prices are up more than 30 percent, and in some cases, such as corn, as much as 100 percent. Usually economists separate food and energy costs when analyzing overall inflation trends, because the price movements are often transitory. However, many expect the hike for grub to persist.

Companies are maneuvering around this likelihood in different ways. One giant coffee retailer, for instance, is using financial derivatives to offset a potential uptick in bean prices. Firms can limit exposure by strategically buying goods when prices

are low. Some snack retailers are selling smaller portions, a practice known as shrinkflation, or altering ingredients. (A major manufacturer announced a cutback in the sugar it adds to breakfast cereals. While the move promotes better health, it didn’t come until sugar prices more than doubled.) “Changing ingredients in response to cost changes is nothing new, but the scale and scope of it now is much greater,” Wright says.

Meanwhile, executives are looking for ways to make operations more efficient and alternatives to boost revenue, such as subscription services. At least one US retailer has gone so far as to charter ships to ensure that supplies reach shelves. Still, some have had to announce price increases in recent months—and experts say when producers pass added costs on to consumers, it’s cause for concern.

A grain shortage and subsequent spike in the price of flour was a key ingredient in fomenting the French Revolution in the late 1700s. The explosion of popular anger that followed became known as the Flour War. But history offers a more recent cautionary tale: many link the Arab Spring of 10 years

ago to surging wheat prices. Uprisings in countries like India or Brazil are less likely because democratic governments can get voted out, but the Middle East and China are vulnerable, says Win Thin, global head of currency strategy at the investment firm Brown Brothers Harriman.

In the wake of such shortages, national governments are taking some unusual actions. Russia, once the largest wheat exporter, instituted taxes and restrictions on wheat exports to ensure domestic supply. The Kremlin’s move is saber-rattling, says Claudia Sahm, a senior fellow at the nonpartisan think tank Jain Family Institute. Conversely, Nigeria has banned some cuisine imports, hoping to nurture domestic output.

If not revolution, food prices are also known to trigger migration. Potato blight in the 1800s caused much of the Irish population to flee to America. And with drought decimating some Central American crops by as much as 70 percent, we’re again seeing crop-driven migration. Such brutal downwind impacts are, indeed, a far cry from just exorbitant costs for lattes. ■

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