

SANTA-ROSA

# High costs, small harvests hurt Santa Rosa cotton farmers and drive up prices for shoppers

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## Key Points

A Jay cotton farmer says he loses more cotton to water than anything else. But a variety of factors are driving up the cost of cotton and eating into profits.

Nationwide supply chain issues have forced farmers' costs to skyrocket, and labor options have dwindled.

In 2020, the price of cotton was about 77 cents per pound. This year, cotton prices hit a whopping \$1 per pound – the third time in 40 years.

A humble, one-story home in Flomaton, Alabama, sits in front of a chain-link fence off the side of a two-lane road. Just beyond the house, a sea of John Deere green can be seen in the fields. The roar of cotton harvesting machines fills the air, and there's an aroma of kicked-up dirt.

Even into December, a thick ray of heat casts over cotton fields in Northwest Florida and South Alabama. While other areas might brace for frost and snow flurries, farmers in this region focus on a different white substance: cotton.

But this year, as late autumn and early winter signal the end to another cotton season and the start of picking, there is much to be desired from the crops that typically resemble Q-Tips poking out of the ground.

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"We lose more cotton to water than we do to anything," said Mickey Diamond, a cotton farmer from Jay. Earlier this month, he was helping a fellow farmer in Flomaton pick cotton at his farm, a common occurrence for many farmers in the area.

This year, farmers in Santa Rosa County are dealing with a variety of factors that have driven up the cost of cotton and eaten into their profits. These factors also will have consumers paying more for cotton goods in both the short-term and long-term.

Nationwide, supply chain issues have forced farmers' costs to sky rocket, labor options have dwindled and to top it off, for roughly a month this fall, John Deere employees were on strike because of contract demands, which stopped many farmers from getting necessary parts.

Locally, there also was Hurricane Ida in late August, and the roughly 100 inches of rainfall that came in 2021, which Diamond said killed half of his early crop.

"That's too much," said another Jay cotton farmer, Alan Edwards, about the heavy rainfall. "You've got all kinds of diseases and everything else that sets up in cotton and peanuts whenever you have something like that."

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All of those factors — higher costs, less labor options and smaller harvests — have driven up the price of cotton and pushed farmers to transition away from their usual selling practices, both of which are expected to affect American wallets at a time when consumers are already paying 4.3% more this year for clothes than last year.

"In the immediate term, you're going to have to pay a higher price (for goods)," said Stephen LeMay, a professor in the commerce department at the University of West Florida.

LeMay stressed these changes are going to mainly affect clothing that is not considered high-end, but rather are in the low- to mid-range of the market. But cotton is not only used for clothes; it also makes up everyday items like coffee filters, medical bandages and tents.

"You're going to see consumers notice the price change at the low- to mid-range into the market," LeMay said. "That is people who are paying 20 bucks for a pair of pants and then end up seeing 22 bucks for a pair of pants. They're going to notice that if you're buying that because that's the price you can afford."

## What an increase in cotton prices means for consumers short-term

This year, cotton prices hit a whopping \$1 per pound for only the third time in the more than 40 years that Diamond has been farming. He said in every previous year that the price has reached \$1, the following year fared particularly poorly.

According to the U.S. Department of Agriculture, the average cost of cotton per pound in the Southeast in 2020 was about 77 cents. Diamond said part of the reason the price has jumped so much this year is because the worldwide carryover — or reserve stock of cotton — is less than normal, creating a shortage in supply.

Santa Rosa County farmers have been placed in a particularly tough situation. Instead of selling their cotton for more money, the combination of unusually wet weather and supply chain issues have killed a large portion of their crop while also causing costs to grow. That means farmers are paying a lot more to produce much less cotton than usual.

"They're looking at it costing 50% more just to grow our crop next year," Diamond said. "I don't know just how we're going to do that."

Edwards is experiencing the same thing. He said that last year, for example, a gallon of Roundup weed killer cost \$18, but next year he expects it to cost more than \$50. And on top of that, his yield on both peanuts and cotton are between 40% to 50% less than typical years.

"Stay in good with your banker," Edwards said, about how he manages to make ends meet on an off year like this one.

The increase in cotton prices has implications for consumers who are already paying 6.2% more for products this fall compared to last, according to the Bureau of Labor Statistics.

LeMay, the UWF professor, said it can take several months for consumers to start noticing that a cotton shirt, for example, costs a little more to buy at the store.

"Well that's going to vary, but by market let's take a typical clothing processor (or) distribution outfit, like the Gap, for example. They're typically, from product concept to store, about six to seven months," LeMay said.

The process of moving cotton from farm to store-ready fabric involves more than 15 changes of hands, putting it on the longer end of supply chain processes. This creates a larger likelihood that there will be a disruption in the process of going from cotton field to coat rack.

"One of the things that will happen there, is consumers will become conditioned to higher prices," LeMay said. "You can expect some of the price increases for some type of agricultural production to remain high."

## **That increase could be here to stay in the long-term**

Consumers also might need to become accustomed to paying more for cotton items in the long-term as farmers and manufacturers look to shorten the supply chain and keep more of the steps in the U.S.

Many farmers, including those in Santa Rosa County, do not sell their crops themselves. Instead, they belong to associations that negotiate prices and sell the product for them.

This year, Edwards said his association, ProCot, advised him to sell some of his product himself, because the association would most likely sell at a price lower than market value. So instead of putting all of his cotton in the ProCot basket, Edwards decided to give the association only half of his crop.

To combat the rising costs in utilizing global supply chains, LeMay said some countries are calling "first dibs" on the raw materials they produce. This means instead of shipping overseas, products like cotton can be processed and sold in the U.S., something that LeMay said would likely make the process more stable but also increase costs.

"At every one of those (supply chain) points something can happen. And usually it's going to be a disruption in technology, a lack of excess capacity in infrastructure — or more particularly — a capacity for people," LeMay said.

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LeMay said when pieces of the chain are removed or altered, they have wide-ranging effects, particularly because many of these systems have taken 30 or more years to build. Shortening and domesticating supply chains will have long-term effects on consumers as well.

"I think reshoring is going to make more sense for a lot of other products — that is (shortening) the supply chain," LeMay said. "They might cost a bit more, but the supply will be a bit more reliable and — of course — probably (create) a greater reliance on automation which is typical of the U.S. and other developed countries."

LeMay also warned that manufacturers might use more cotton alternatives — polyester being one of the most popular — in their clothing blends to keep the price down.

"The other thing is we will see some more substitution. We've seen a lot of that already, particularly in the clothing market. And that is substituting artificial fibers for cotton," LeMay said.

## **What does all of this mean for farmers?**

Because cotton operates on a global market, farmers in Santa Rosa County cannot do much to stop increased costs and poor weather from cutting into their margins.

Diamond, Edwards and LeMay all stressed that while costs for cotton products will go up, the farmers will see almost none of that profit.

**‘One of the worst we’ve ever seen’:** Farmers reeling after record rain in 2018 destroys crops

"Because there will be some reluctance to pay the higher price, farmers may be struggling with margins. Their costs are going up, but prices don't respond immediately to that increase in cost. Especially since a lot of the cost to consumer comes not from the farmer, but from other parts of the distribution system," LeMay said. "There's a tendency to blame the farmers for high prices when in fact that's not who's getting the extra money."

Diamond recognizes he is fighting an uphill battle. But he said farming has given him a life he enjoys, a life he is happy with.

"Always know it's not the farmer that is the one who's lining up with the profit off of it," Diamond said. "The farmer is the only one that buys retail and sells wholesale."