

Inflation adds uncertainties to regional economy

- By Dana Melius Special to The Free Press
- Mar 11, 2022

Photos by Pat Christman



Pita Pit manager Kesha Fettig hands a pita to a customer. New owners of the business faced challenges during the pandemic and now with inflation.
Pat Christman

Rachel Ernsting and Ryan Schmitz purchased the Pita Pit in downtown Mankato on Jan. 6, 2020. Two months later, the pandemic hit. Now, there are rising food and labor costs. And the Ukrainian conflict and expected energy increases.

“It was pretty scary,” Ernsting admitted as she and Schmitz reflected on the start of their joint-business venture. “It’s COVID mixed in with inflation. And now, it’s supplies.”

Ernsting is a full-time nurse, commuting to Shakopee daily, witnessing the pandemic first hand. Schmitz owns two other Mankato businesses. It meant both had other economic means to manage through two years of business uncertainty.

The owners are now contemplating increasing menu prices, a move Ernsting said she’s been holding off, probably for too long.

“We probably should have gone up a while ago,” she said.

Ernsting credits a dedicated staff — manager Kesha Fettig has been there six years — and a “good customer base” that appreciates the Pita Pit’s healthy food options for sustaining the business through these unpredictable times.

Schmitz keeps his eyes on labor costs at all his businesses, understanding the pressures to increase wages. Potential employees have more bargaining power than before, with plenty of firms and businesses ramping up new hires. He and Ernsting logged plenty of hours themselves during the pandemic.

Costs of operation, like utilities and energy prices, may be the next financial stress for small business owners such as Ernsting and Schmitz.

“Luckily, we’re locked in with a lease (at their South Front Street corner restaurant),” Schmitz said. “But during COVID, it was a constant struggle (to fill shifts).”

Ernsting said while some food and supply costs “are going down,” there are continuing surprises and juggling to find alternative products when a shortage arises.

“It’s always up and down. We try to be as healthy as possible (with our food options),” she said. “It’s a balancing act.”

Yet, there’s renewed hope and opportunity, Ernsting said. Customers seem to appreciate the mom and pop shops in downtown Mankato. And they’re coming back as the pandemic appears to ease a bit.

Economic ups, downs to continue?

Ryan Vesey, economic development and research manager for Greater Mankato Growth, points to wage growth as one significant factor during these inflationary times.

“I’m not surprised to see that we’ve seen so much wage growth,” Vesey said. “And it’s not something that’s ending.”

Research over a two-year period — pre-pandemic December 2019 to December 2021 — reveals that private hourly wages have risen 18%, according to Vesey. But weekly earnings have spiked even more, up 30%. That trend suggests that “people are working more hours a week because of the pandemic and the talent (labor) shortage,” he said.

“Demographically, we don’t have enough people,” he said, as rural Minnesota continues to age. While Blue Earth and Nicollet counties defy that trend, the regional economic growth in the Greater Mankato area still can’t find enough workers.

“We’ve been working with the state of Minnesota on why we need to focus on immigration,” Vesey said. U.S. immigration has plummeted over the past few years while industries of all kinds need more workers, he said.

Vesey’s research points to several key items that have been hit hard by inflation. Grocery costs continue to go up with meat, poultry, fish and eggs rising 13.3%. Natural gas costs are up over 31%, new vehicles nearly 14%, and used vehicles almost 41%, according to Vesey.

The Consumer Price Index for the Midwest region reported an 8% overall increase in its January 2022 figures. And that was prior to the Ukrainian conflict. Gas prices during that same period had already jumped over 37%. They’ve risen more recently and are expected to keep climbing.

[Gasbuddy.com](https://www.gasbuddy.com) reported Friday pump prices ranging from \$3.91 to \$3.99 at spots in Mankato.

“We’re going to continue to see a big increase in gas prices,” Vesey said.

Cost uncertainties grow

The Ukrainian-Russian conflict is also expected to cause more economic uncertainties, particularly in the agricultural industry, Vesey said.

“Ukraine’s historically been the bread basket of Europe,” he said.

Megan Roberts agrees that the 2022 farm picture highlights the ups and downs of today’s markets.

Roberts began March 3 as the new director of the Minnesota State Southern Agricultural Center of Excellence at South Central College. Roberts previously taught agricultural economics at the North Mankato campus from 2012 to 2017. More recently she served as an Extension educator in agricultural business management at the University of Minnesota regional office in Mankato.

“We are seeing higher prices for our commodities,” Roberts said. “We’re also seeing it on the production side. Our input prices are really increasing as well. That really is a concern for ag producers across southern Minnesota.””

Future prices for corn are coming in as high as \$7.57 per bushel for corn, \$12.50 for wheat, and \$16.75 for soybeans.

“All of those prices are significantly higher than a year ago,” she said.

But increasing energy and fertilizer prices are expected to drastically cut into farm income in 2022, Roberts said. And like most industries, labor costs are also increasing, she said.

Rising grocery costs are prompting food insecurity for the most needy, said Sara Diel, assistant manager at ECHO Food Shelf in Mankato. And with pandemic-related governmental help ending, Diel expects the problem will increase in the coming weeks and months.

“Our numbers have gone up. A lot,” Diel said. “We think it’s gonna get tougher. That’s what we’re planning for.”

The food shelf served 1,200 families in January, she said. And while those numbers are still not as high as pre-pandemic statistics, the end of the federal rent moratorium and child care tax credit are likely to bring more households into the food shelf, Diel noted.

“When you look at lower-income families, the cost of food has been a major part of anyone’s major monthly budget,” Vesey said. “Those are going to be the individuals most impacted by inflation.”

The Rev. Erica Koser of Connections Ministry and Shelter sees it daily.

“It affects the people at the bottom of the economic ladder,” Koser said. Food and fuel cost increases affect people in poverty hard, she said.

“It just takes a greater amount of their paycheck,” Koser said. “People who are living paycheck to paycheck, it really starts to snowball fast.”

Jen Theneman, executive director of the Mankato-based Partners for Housing, agrees that as federal and state governmental safety nets end, additional stress on families at or near the poverty level will increase. Higher housing costs, grocery bills, child care and car prices hit budgets hard and add to inflation’s domino effect, she said.

“Firsthand, we’re certainly seeing it,” Theneman said. “With the eviction moratorium lifting, landlords are looking at protecting themselves, too.”

Partners for Housing manages shelters and transitional housing units in Mankato and St. Peter.

“Before the pandemic, we didn’t have openings,” she said. The requests for emergency housing options will most certainly grow as rent evictions are expected, according to Theneman.

“I think we’ve certainly not seen the impact yet,” she said. More funding is needed to expand the state’s affordable housing stock, transitional housing units and shelters, she stressed.

With a reported \$9.3 billion state budget surplus, Theneman understands there will be a lot of lobbying for those dollars.

“But I’m hoping that legislators are realizing that we need more and there’s no end in sight,” she said. “Housing should be more of a priority. That’s a no-brainer.”