Retail Food Price Outlook

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2014 inflation near historical average

Percent change in the annual Consumer Price Index (CPI) for food at home, 1995 - 2014

Percent Change

20-year average: 2.6%

Annual percent change in food prices by category, 2014

- Beef and veal: 12.0%
- Pork: 8.5%
- Poultry: 3.5%
- Fish and seafood: 5.0%
- Eggs: 8.0%
- Dairy products: 4.0%
- Fats and oils: 2.0%
- Fresh fruits: 4.0%
- Fresh vegetables: 2.0%
- Sugar and sweets: 0.5%
- Cereals and bakery products: 0.0%
- Nonalcoholic beverages: 0.0%
- Other foods: 2.0%

Annual percent change in food prices by category, 2012

Percent Change, 2011-2012

- Beef and veal
- Pork
- Poultry
- Fish and seafood
- Eggs
- Dairy products
- Fats and oils
- Fresh fruits
- Fresh vegetables
- Sugar and sweets
- Cereals and bakery products
- Nonalcoholic beverages
- Other foods

Grocery versus restaurant purchases, 2013

Average American’s Food Purchases

Food at home 59%

Food away from home 41%

Food purchases by category, 2013

- Food away from home: 41%
- Meats, poultry, and fish: 12%
- Dairy products: 6%
- Fruits and vegetables: 10%
- Fats and oils: 2%
- Eggs: 1%
- Sugar and sweets: 2%
- Nonalcoholic beverages: 7%
- Cereals and bakery products: 8%
- Other foods: 11%

Annual percent change in food at home and food away from home CPIs, 1990-2014

Share of U.S. household consumer expenditures by major categories, 2013

- Housing: 33.6%
- Transportation: 17.6%
- Food: 12.9%
- Personal insurance, pensions: 10.8%
- Entertainment, alcoholic beverages: 5.8%
- Health care: 7.1%
- Savings: 3.6%
- Apparel: 3.1%
- Other: 3.1%
- Education, reading: 2.4%

Note: “Other” includes personal care products, tobacco, and miscellaneous expenditures.
Percent change in the all-items consumer price index (CPI) and food CPI, 1984 - 2014

Percent change in the Consumer Price Index (CPI) by sub-category, 1984-2014

Annual percent change in price, by stage of production

Percent change

PPI - Farm Products
PPI - Processed Foodstuff and Feedstuff
CPI - All Food

Where a food dollar goes...

2012 Food at home dollar: Industry Group (nominal)

# Pass through percentages and times

<table>
<thead>
<tr>
<th>Retail Category</th>
<th>Time to Pass Through (Months)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beef</td>
<td>1 to 2</td>
</tr>
<tr>
<td>Pork</td>
<td>1 to 3</td>
</tr>
<tr>
<td>Poultry</td>
<td>1 to 2</td>
</tr>
<tr>
<td>Eggs</td>
<td>3 to 5</td>
</tr>
<tr>
<td>Milk</td>
<td>1 to 5</td>
</tr>
<tr>
<td>Bread</td>
<td>1 to 6</td>
</tr>
<tr>
<td>Oranges</td>
<td>1 to 2</td>
</tr>
<tr>
<td>Lettuce</td>
<td>1 to 2</td>
</tr>
</tbody>
</table>

Annual grocery store inflation by metropolitan statistical area, 2014

Potential for drought to impact food prices

• CA drought impact on food prices
  – Potential to have long an lasting effects on fruit, vegetable, dairy, and egg prices
  – Length and severity is not yet realized
  – Crop decisions affect prices further down the line

• Drought conditions in Texas/Oklahoma impact beef and veal prices, but are improving
Drought severity and food prices

Percent of California land in drought, annual average, by severity

Average annual price index, 1982-84 = 100

Drought severity from least to most severe
- Abnormally dry
- Moderate
- Severe
- Extreme
- Exceptional

Retail food category
- Fresh fruits
- Fresh vegetables

Energy prices and food prices

• The importance of energy prices depends on the food category
  – More important as processing and transportation costs increase in share

• Diesel and electricity prices are key inputs to ERS CPI forecast models
Price of crude oil and change in Consumer Price Index (CPI) for selected food categories

Dollars per barrel

Crude oil price (West Texas Intermediate)  Fresh Produce CPI  Cereals and bakery products CPI

Average annual price index, 1982-84 = 100

2015 inflation predicted to be near historical average

Percent change in the annual Consumer Price Index (CPI) for food at home, 1995 - 2015

20-year average: 2.6%

2015 forecast intervals, by retail food category

Food categories to watch in 2015: Beef and veal

- Retail beef and veal prices forecast to rise 5 to 6% in 2015
- Reductions in U.S. cattle inventory
  - Herd sizes similar to the 1950s
  - Texas and Oklahoma drought further delayed herd expansion
- Expectation of herd expansion in 2015
Food categories to watch in 2015: Fresh produce

- Fresh fruit prices are expected to rise 2.5 to 3.5 percent
  - California drought

- Fresh vegetable prices are expected to rise 2 to 3 percent
  - Potential for further impacts from California drought
Food categories to watch in 2015: 

Eggs

- Egg prices rose 8.4% in 2014 and expected to rise 2.5 to 3.5 percent in 2015
  - Prices are volatile and vary seasonally
  - Will the new law in CA requiring larger cages for birds have an effect?
Food categories to watch in 2015:
Non-perishable food items

- **Fats and oils** and **cereals and bakery products** are expected to see below average inflation
  - Large crop yields for soybeans and wheat
  - Fats and oils are expected to rise 0 to 1 percent
  - Cereals and bakery products predicted to rise 0.5 to 1.5 percent
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Resources for food price trends research


Thank You!

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