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RETAIL FOOD PRICES have risen sharply in recent months, but the upward pressures are expected to abate somewhat this spring. During the three months ending in February, the index of retail prices of food consumed at home rose 3.7 percent, accounting for all of the increase experienced during the past year. Wholesale food prices registered another large advance last month, indicating the pronounced uptrend at the retail level no doubt continued in March. The upward pressures, however, are expected to ease during the second quarter, followed perhaps by renewed strength again in the summer months.

With the exception of dairy products and cereal and bakery products, prices of virtually all major categories of food increased in recent months. Nevertheless, the bulk of the pressures were concentrated on items that experienced weather-related supply cutbacks; fresh fruits and vegetables, beverages, and eggs. Fresh fruit and vegetable prices have soared 19 percent since last November, and in February stood 24 percent above the year-earlier level. Beverage prices—primarily coffee—have continued their relentless uptrend, rising 15 percent since last November and 43 percent during the past year. Egg prices rose 16 percent during the three months ending in February—reflecting the cut in production during the extreme cold of last winter. Overall, these three categories of food have accounted for two-thirds or more of the rise in the index of grocery store food prices since last November.

Despite the recent uptrend, a number of major food items are priced below year-earlier levels. Pork prices are down 11 percent from the high year-earlier levels, while beef and veal prices and poultry prices are both down 4 percent. Processed fruit and vegetable prices are down nearly 3 percent. The overall measure of sugar and sweets prices is down 2 percent, while that for cereal and bakery products is down 1 percent. Together, these items account for over one-half of the index for grocery store food prices.

The outlook for food prices is clouded by a number of supply-impacting factors, particularly the availability of water in the major vegetable-producing Western states and the uncertainties of future weather patterns. For the near term, however, it would appear that the price pressures on two of the three components that accounted for the bulk of the first-quarter rise in food prices will moderate. Egg prices received by farmers declined more than one-tenth in March, and the second-quarter trend in retail egg prices, particularly following Easter, is expected to be decidedly

downward. Similarly, the vegetable acreage in Florida that was destroyed by killing frosts has been largely replanted. The harvesting of this late-planted acreage will extend well into June, overlapping the harvest from other regions and causing prices to retreat from their recent highs. Although meat prices will likely remain fairly stable this spring, upward trends are expected for processed fruits and vegetables, dairy products, fats and oils, fish, and beverages.

Second-half developments in food prices will hinge heavily on weather conditions. Adequate rains during the spring and summer months would likely slow the liquidation of the cattle herd. This coupled with prospects for a slight decline in fed cattle slaughter and the seasonally strong consumer demand would be expected to result in higher retail meat prices during the summer months. Conversely, a summer drought would likely preclude any significant decline in meat supplies. Such a situation would modify retail food price pressure somewhat this summer, but could result in a more pronounced upward movement later this year and next year.

Prospective supplies of other food products for the second half are mixed. Egg production is expected to be up significantly, holding second-half egg prices below year-earlier levels. Year-to-year gains in broiler production, however, are expected to diminish after mid-year, particularly if weather conditions result in higher costs to producers. Milk supplies will be adequate, although recently raised support levels will hold retail dairy product prices above year-earlier levels. Prospective second-half supplies of fruits and vegetables—both for processing and fresh markets—are very tentative at this stage because of the vagaries of weather. Nevertheless, it does appear that the contracted acreage of major processing vegetable crops will closely approximate last years level.

On balance, the USDA expects retail food prices this year to average 4 to 6 percent above last year's level. The lower end of the range assumes generally favorable weather conditions while the upper end reflects prospects under drought conditions.

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