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SLOWDOWN OF FOOD PRICE INCREASES TO CONTINUE IN '83

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WITHDRAWN
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Retail prices for food are expected to increase about 4% in 1983, according to USDA economists. This is below last year's expected increase of 4.5%, and will continue a slowdown of the annual food price increases that began in 1980...good news for consumers.

Moderate food price changes are expected in both the "at home" and the "away from home" markets. This reflects record wheat, corn, soybean crops harvested last year, larger production of fruits and vegetables, slow recovery of consumer food demand, and a lower general inflation rate. Grocery store food prices are likely to rise 3 to 6% this year while prices for food away from home are expected to be up 4 to 6%.

This year's price rise will be moderated by the expected small gain in the farm value of food and by the slowing of food marketing increases.

Small retail price rises are expected for most foods, with declines likely for eggs, potatoes, sweet potatoes, dry beans, and fresh apples and oranges.

Total meat production will likely decline by 1 to 2%, pushing retail meat prices up 3 to 6%. In spite of a favorable hog to corn price ratio, many hog producers have been reluctant to expand herds because of cash flow difficulties. Therefore, pork production may be off 3% this year, with pork prices likely to rise more than the general inflation rate. Beef production may be down 1%, with retail beef and veal prices expected to be up somewhat more than in 1982.

Poultry production will likely be up again. With lower red meat supplies, however, poultry demand may rise some, pushing retail poultry prices up 2 to 5%. Egg production will be near last year's level, but weak foreign demand may hold prices lower than last year.

Retail prices for dairy products will be up less than the inflation rate, and may be as little as the 2% rise last year. The price support will be unchanged this year. Milk production may rise further in 1983, even though deductions will be made from producer prices to help offset public costs of the price support program.

Fruit and vegetable prices are expected to be up slightly. A 4% rise in potato production last fall and a substantial increase in contracted vegetable acreage for processing will limit any retail vegetable price increases. Processed tomato production was up about 32% and processed corn up 12%.

A 9% rise in apple production last fall and a projected 21% greater orange production will likely push fresh fruit prices down. Larger Florida orange production for processing will hold down FCOJ prices.

Although production of fruit for canning was down last year, carryover supplies were large. This will keep canned fruit supplies adequate to meet lagging demand and will likely hold retail price increases for processed fruits lower than the general inflation rate.

Retail prices for fats and oils may increase 2 to 5%. Record

large soybean production last year will again hold down prices for vegetable oils, but a decline in peanut production last fall, will likely exert upward pressure on peanut and peanut butter this year. An increase in the sugar support and continued sugar import restrictions will contribute to a rise of 3 to 6% in retail prices for sugar and foods containing sugar.

CHANGES IN CONSUMER PRICE INDEXES 1982 & 1983

<u>FOOD CATEGORY</u>	<u>1982 P</u>	<u>1983 F</u>
	<u>Percent</u>	
All Food	4-1/2	3 - 6
Food away from home	5-1/2	4 - 6
Food at home	4	3 - 6
Meats	5	3 - 6
Beef and veal	2	2 - 5
Pork	12	4 - 7
Poultry	-2	2 - 5
Eggs	-3	-3 - 0
Dairy Products	2	2 - 5
Fish and seafood	4	2 - 5
Fruits and vegetables	6	1 - 4
Sugar and sweets	0	3 - 6
Cereals and bakery products	5	2 - 5
Fats and oils	-2	2 - 5

P = preliminary.
F = forecast.

Source: forecasts by Economic Research Service, U.S. Department of Agriculture.