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Presentation from the USDA Agricultural Outlook Forum 2017

United States Department of Agriculture
93rd Annual Agricultural Outlook Forum
“A New Horizon: The Future of Agriculture”

February 23-24, 2017
Arlington, Virginia

RETAIL FOOD PRICE OUTLOOK

2017 USDA Agricultural Outlook Forum
February 23, 2017

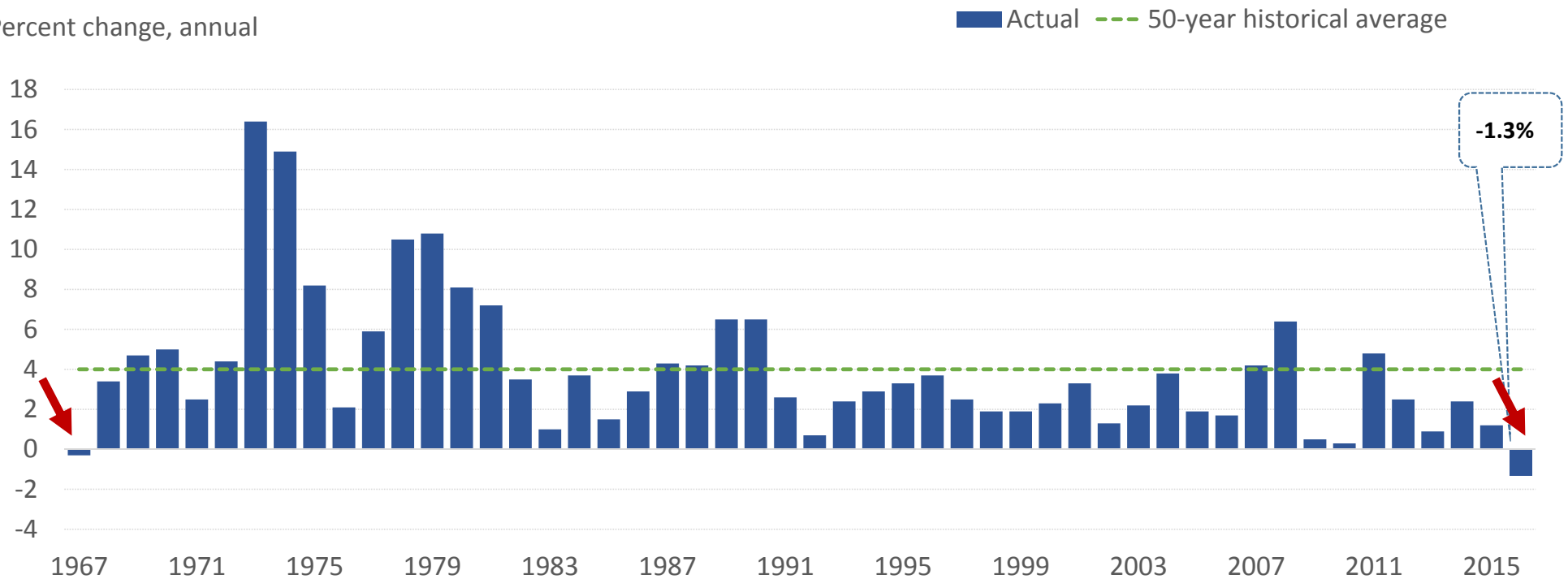


Annemarie Kuhns
USDA, Economic Research Service



RETAIL FOOD PRICES IN 2016 DECLINED FOR THE FIRST TIME IN NEARLY 50 YEARS

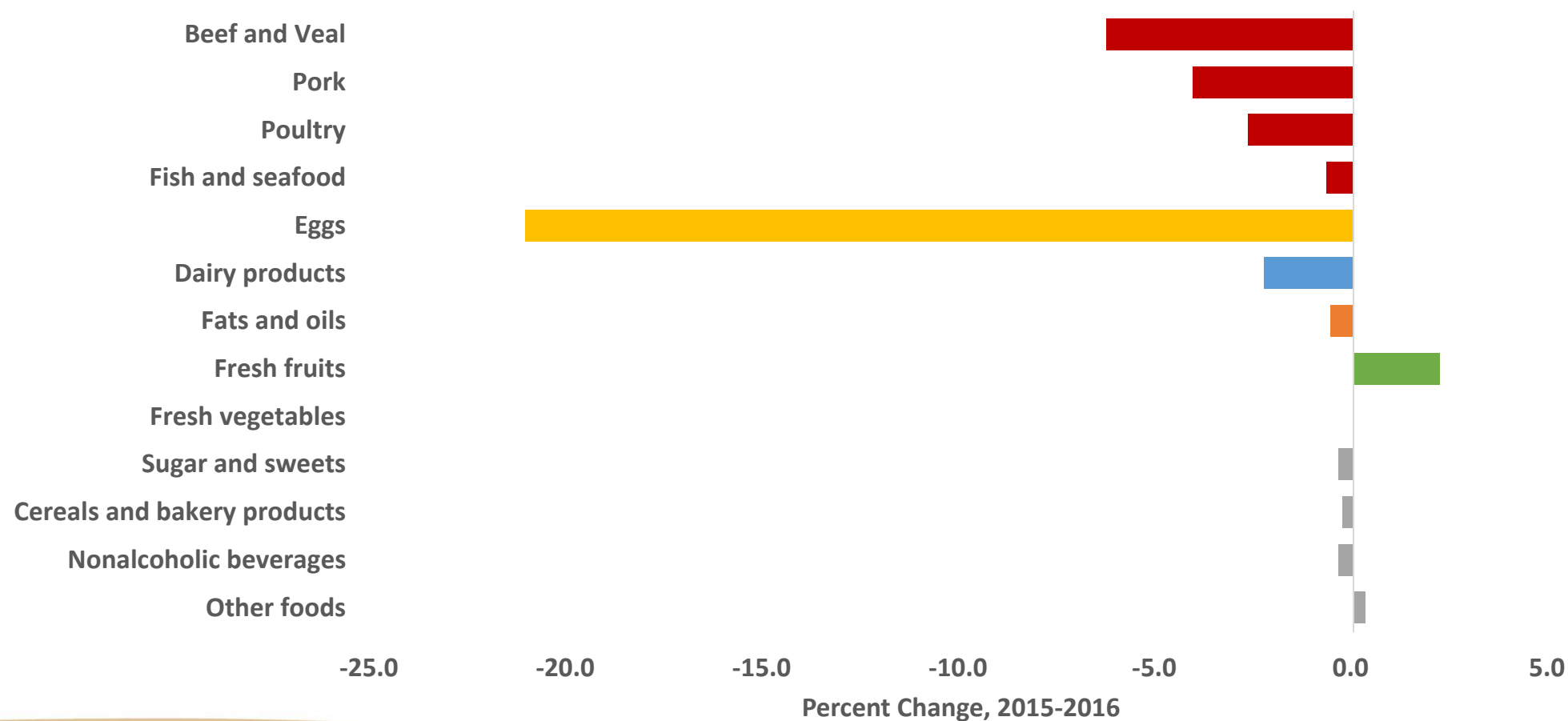
Percent change, annual



Source: USDA, Economic Research Service using data from the U.S. Bureau of Labor Statistics' Consumer Price Index.



ANNUAL PERCENT CHANGE IN FOOD PRICES BY CATEGORY, 2016



Source: USDA, Economic Research Service using Bureau of Labor Statistics data.



PRICES, SELECTED FOODS: 2015 vs 2016

Ground beef,
100% beef, per lb.



2015: \$4.17

2016: \$3.75

Savings: \$0.42 per
pound

Eggs, grade A,
large, per doz.



2015: \$2.47

2016: \$1.68

Savings: \$0.79 per
dozen

Bananas, per lb.



2015: \$0.58

2016: \$0.57

Savings: \$0.01
per pound

Lettuce, iceberg,
per lb.



2015: \$1.16

2016: \$1.06

Savings: \$0.10
per pound

Peanut butter creamy,
all sizes, per lb.



2015: \$2.68

2016: \$2.58

Savings: \$0.10 per
pound

Source: USDA, Economic Research Service using data from the U.S. Bureau of Labor Statistics.



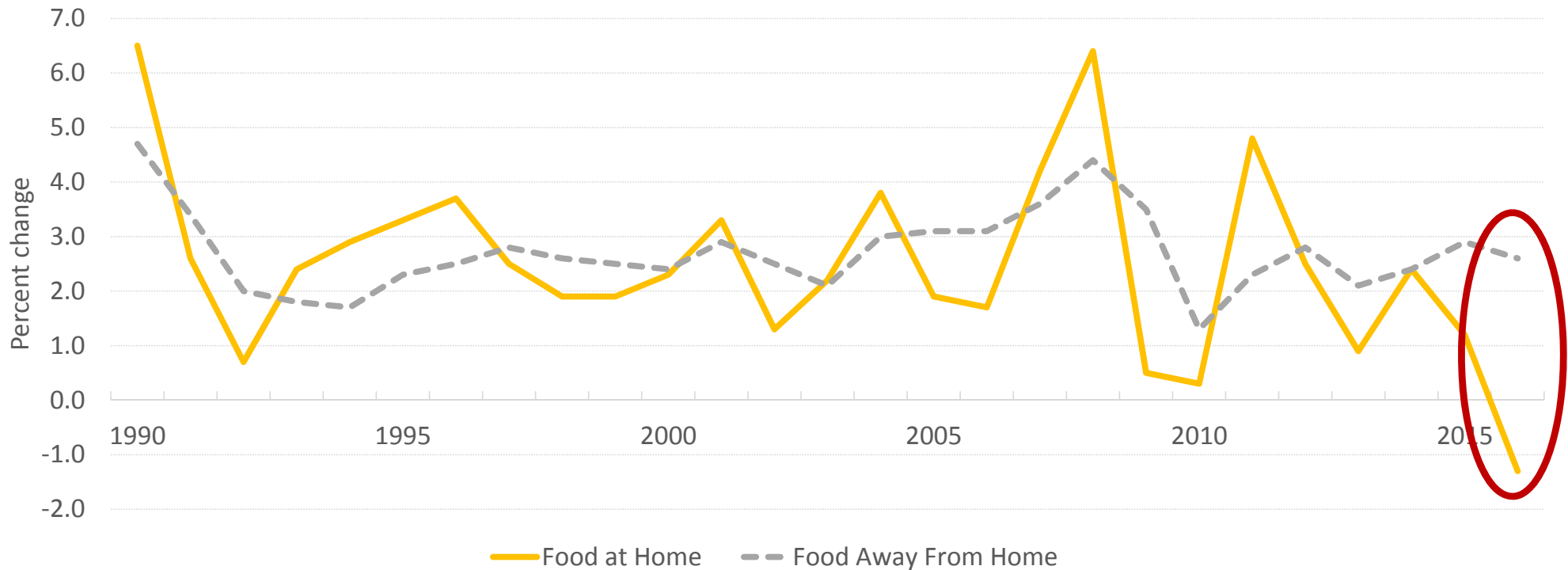
Average yearly savings: \$73.84

Economic Research Service
www.ers.usda.gov



USDA

ANNUAL PERCENT CHANGE IN FOOD AT HOME AND FOOD AWAY FROM HOME CPIs, 1990-2016

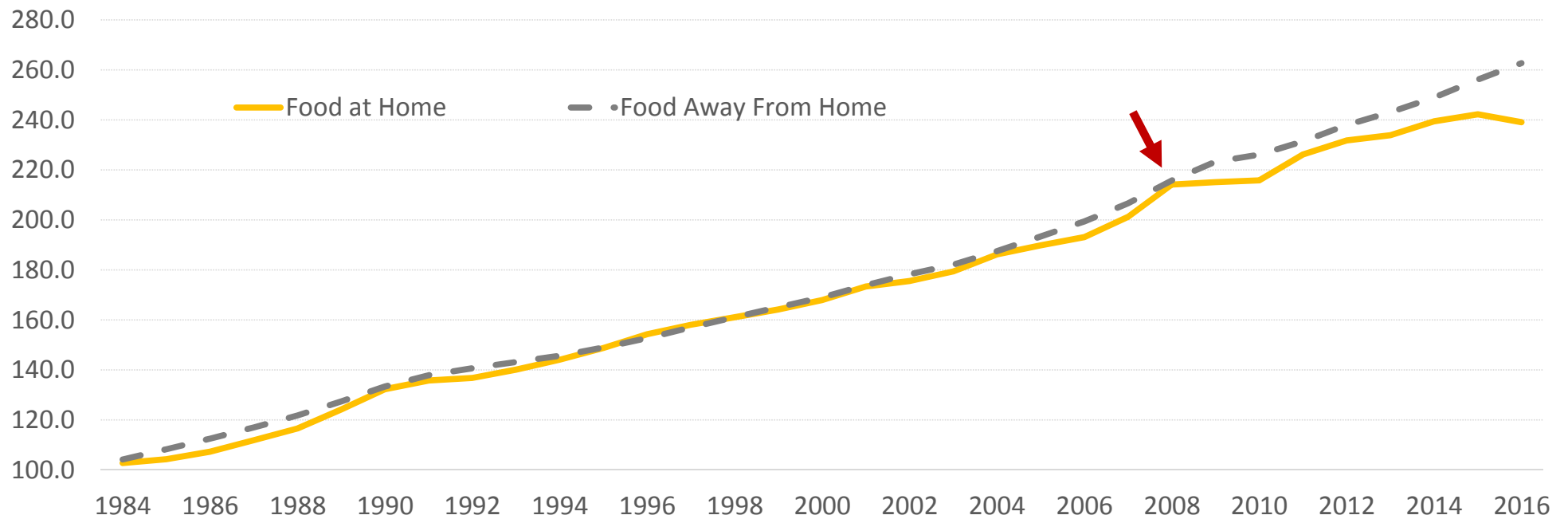


Source: USDA, Economic Research Service using Bureau of Labor Statistics data.



GROWTH IN FOOD AT HOME VS FOOD AWAY FROM HOME CPI, 1984-2016

Index, base year = 1982-84



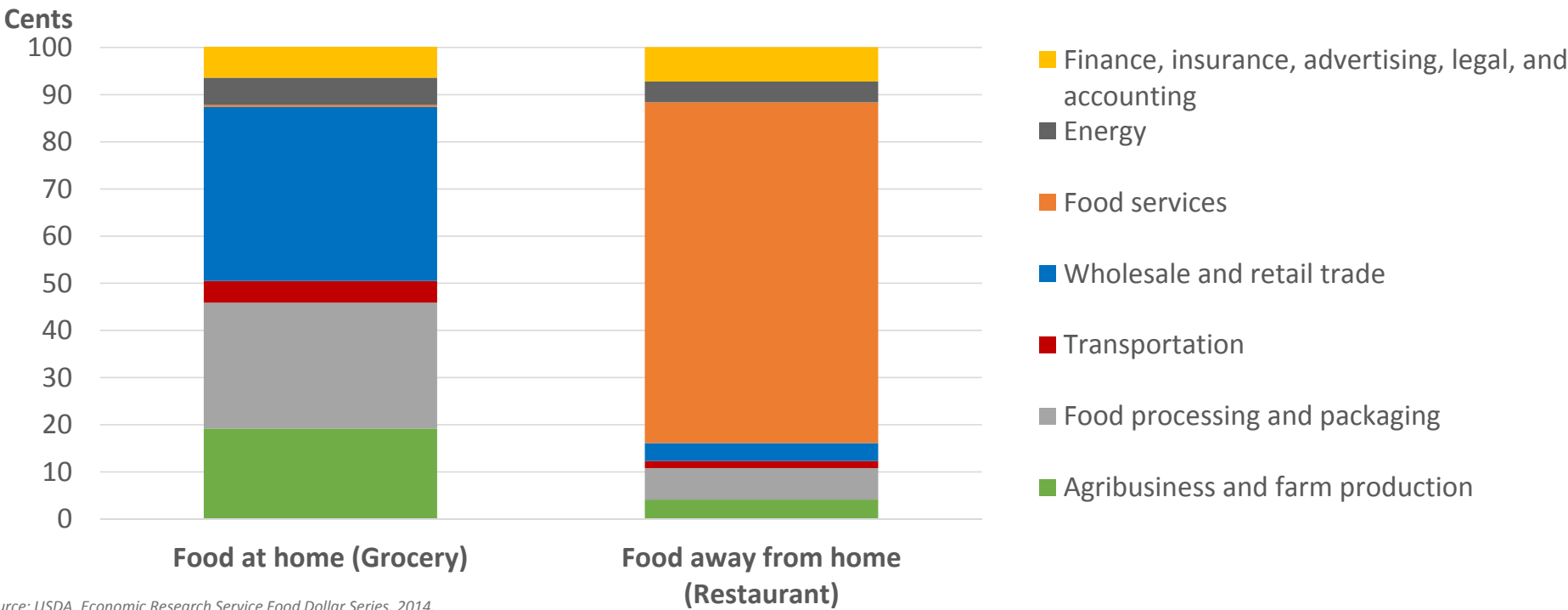
Source: USDA, Economic Research Service using U.S. Bureau of Labor Statistics data.

Economic Research Service
www.ers.usda.gov



WHERE A FOOD DOLLAR GOES...

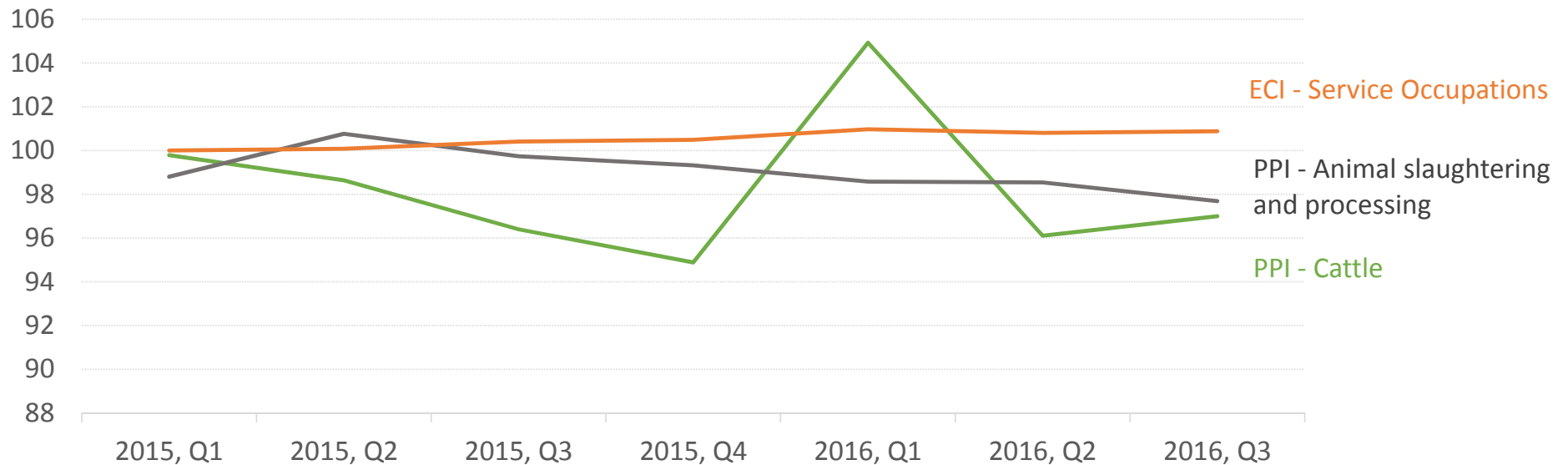
Food at home vs food away from home dollar



WAGES AND BENEFIT COSTS LESS VOLATILE THAN COMMODITY PRICES

Producer Price Index (PPI) for Cattle, PPI for Animal Slaughtering and Processing, and Employment Cost Index (ECI) for Service Occupations, Quarterly

Index, base year = 2015

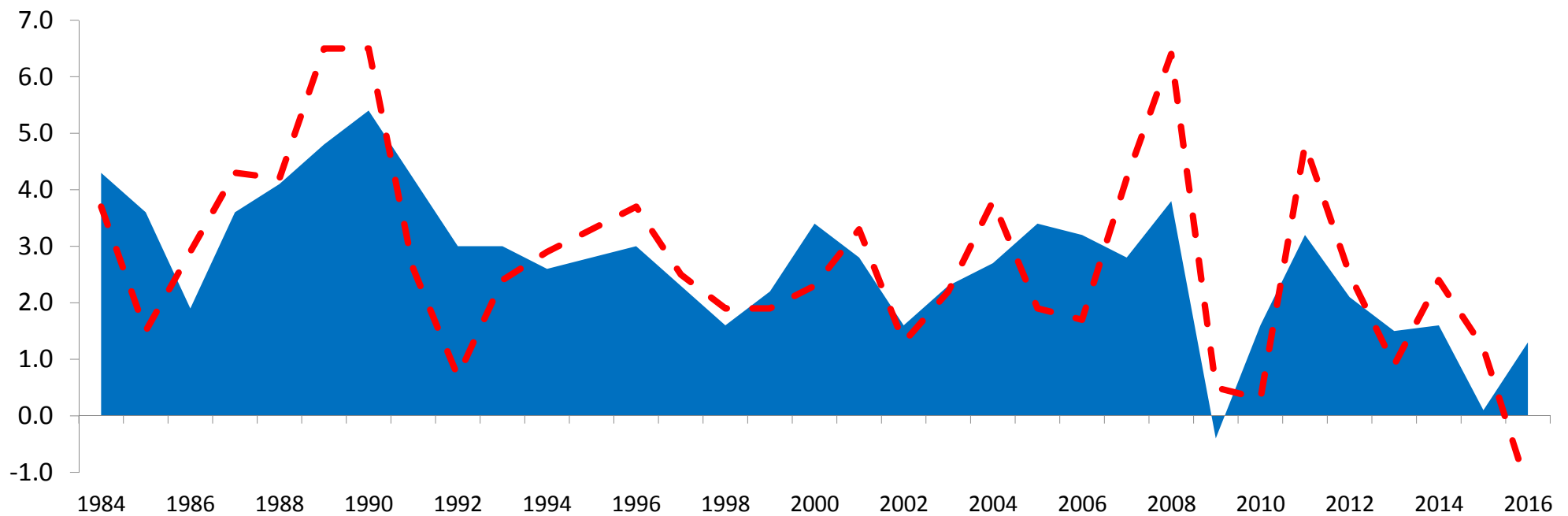


Source: USDA, Economic Research Service using U.S. Bureau of Labor Statistics data.



PERCENT CHANGE IN THE ALL-ITEMS CONSUMER PRICE INDEX (CPI) AND FOOD CPI, 1984 - 2016

Percent Change



■ Economy-wide Inflation

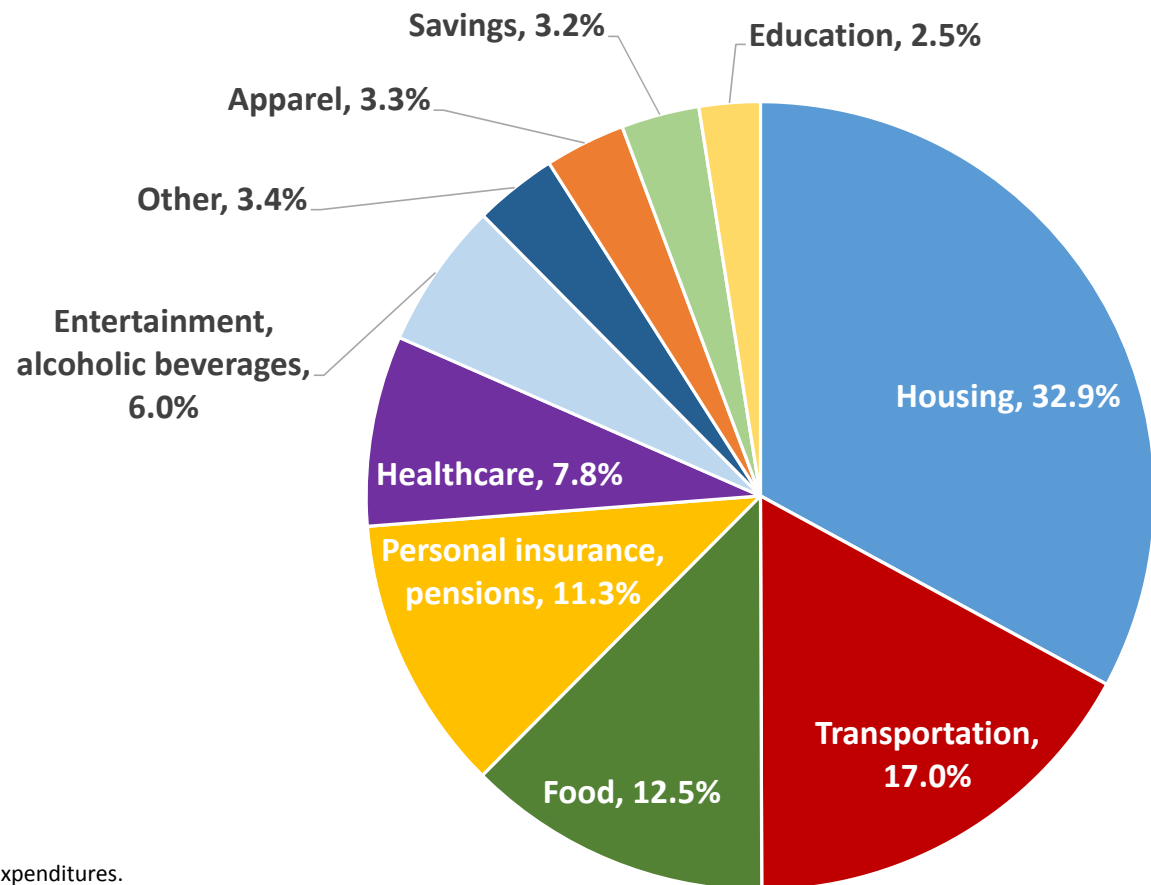
--- Food at Home Inflation

Source: USDA, Economic Research Service using Bureau of Labor Statistics data.

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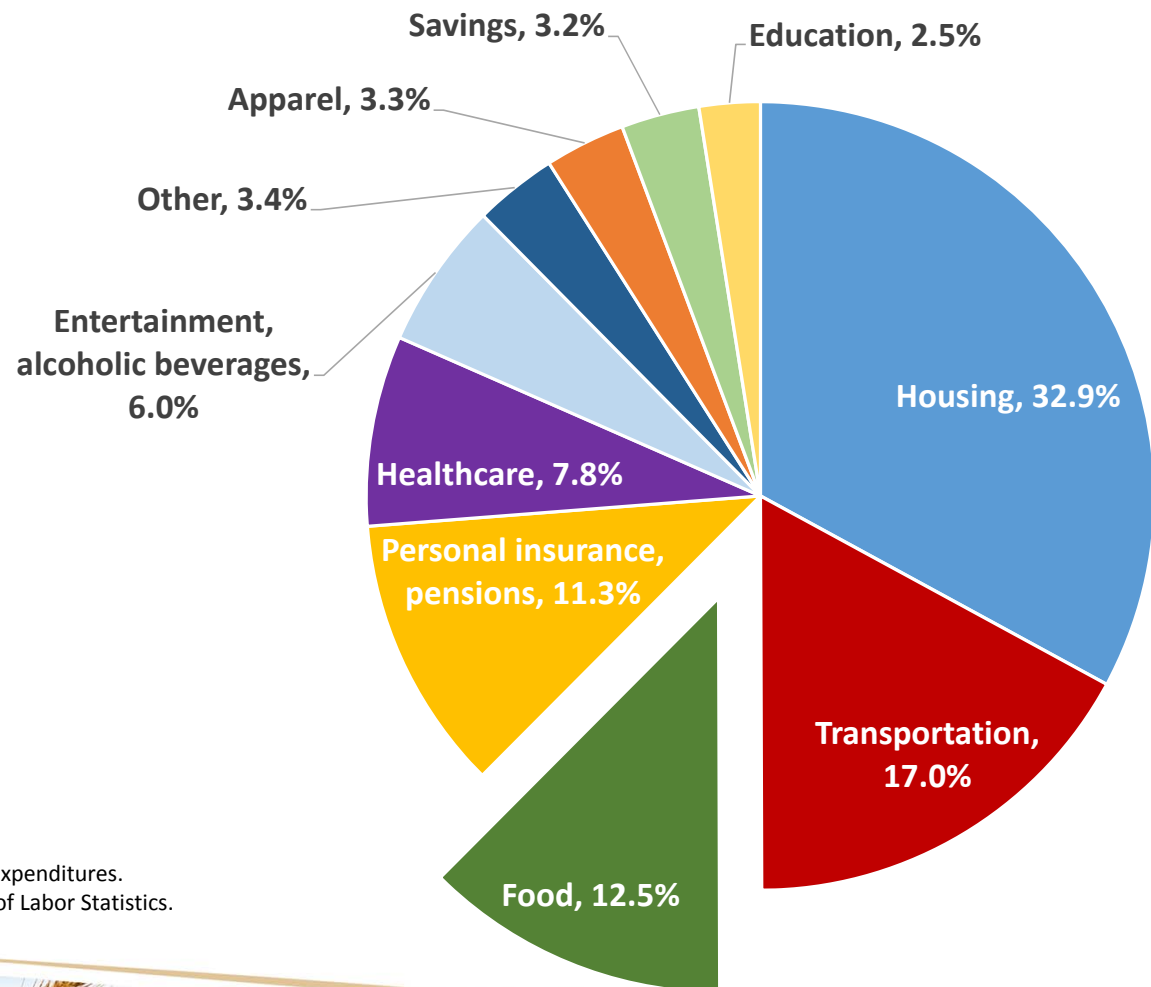
SHARE OF U.S. HOUSEHOLD CONSUMER EXPENDITURES BY MAJOR CATEGORIES, 2015



Note: "Other" includes personal care products, tobacco, and miscellaneous expenditures.
Source: USDA, Economic Research Service using data from the U.S. Bureau of Labor Statistics.



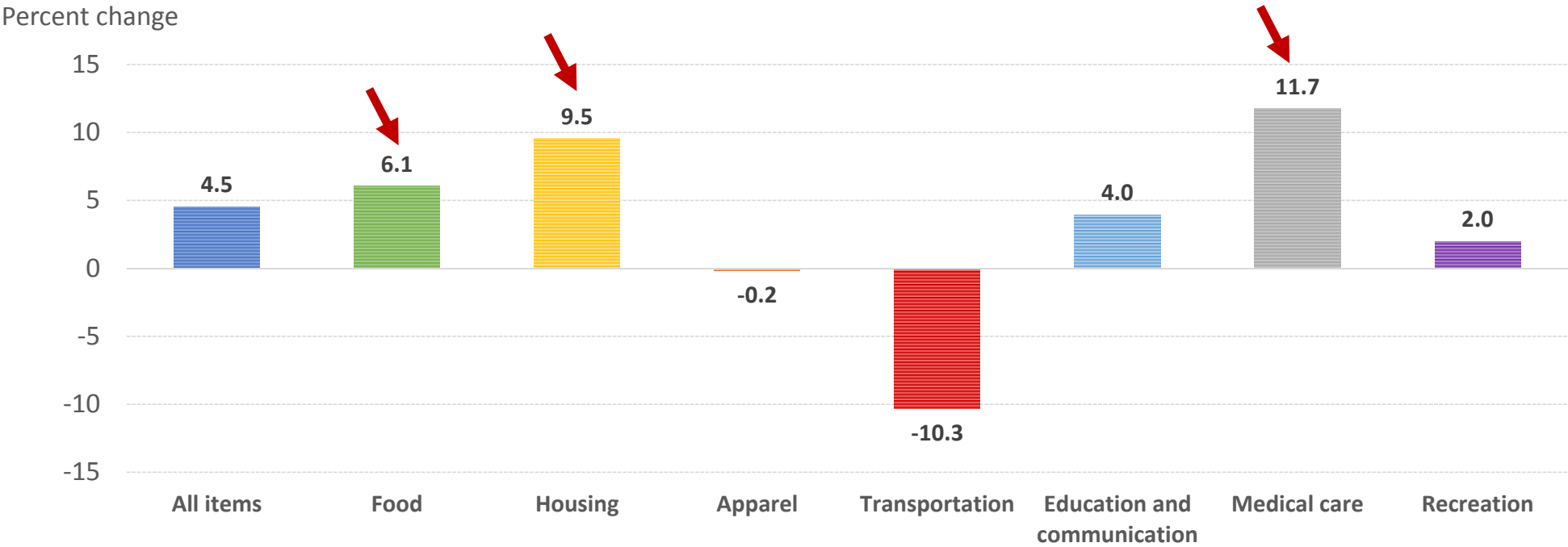
SHARE OF U.S. HOUSEHOLD CONSUMER EXPENDITURES BY MAJOR CATEGORIES, 2015



Note: "Other" includes personal care products, tobacco, and miscellaneous expenditures.
Source: USDA, Economic Research Service using data from the U.S. Bureau of Labor Statistics.



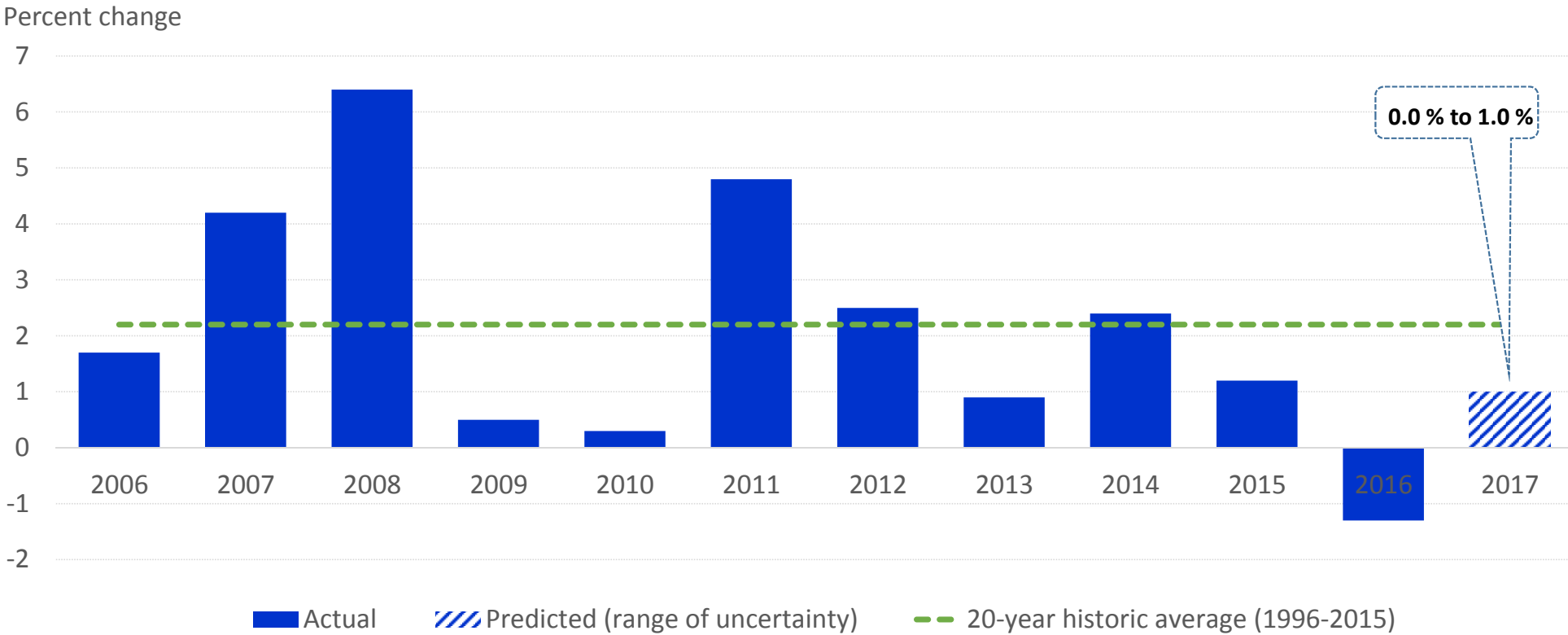
PERCENT CHANGE IN MAJOR CPI CATEGORIES, 2012-2016



Source: USDA, Economic Research Service using data from the U.S. Bureau of Labor Statistics.



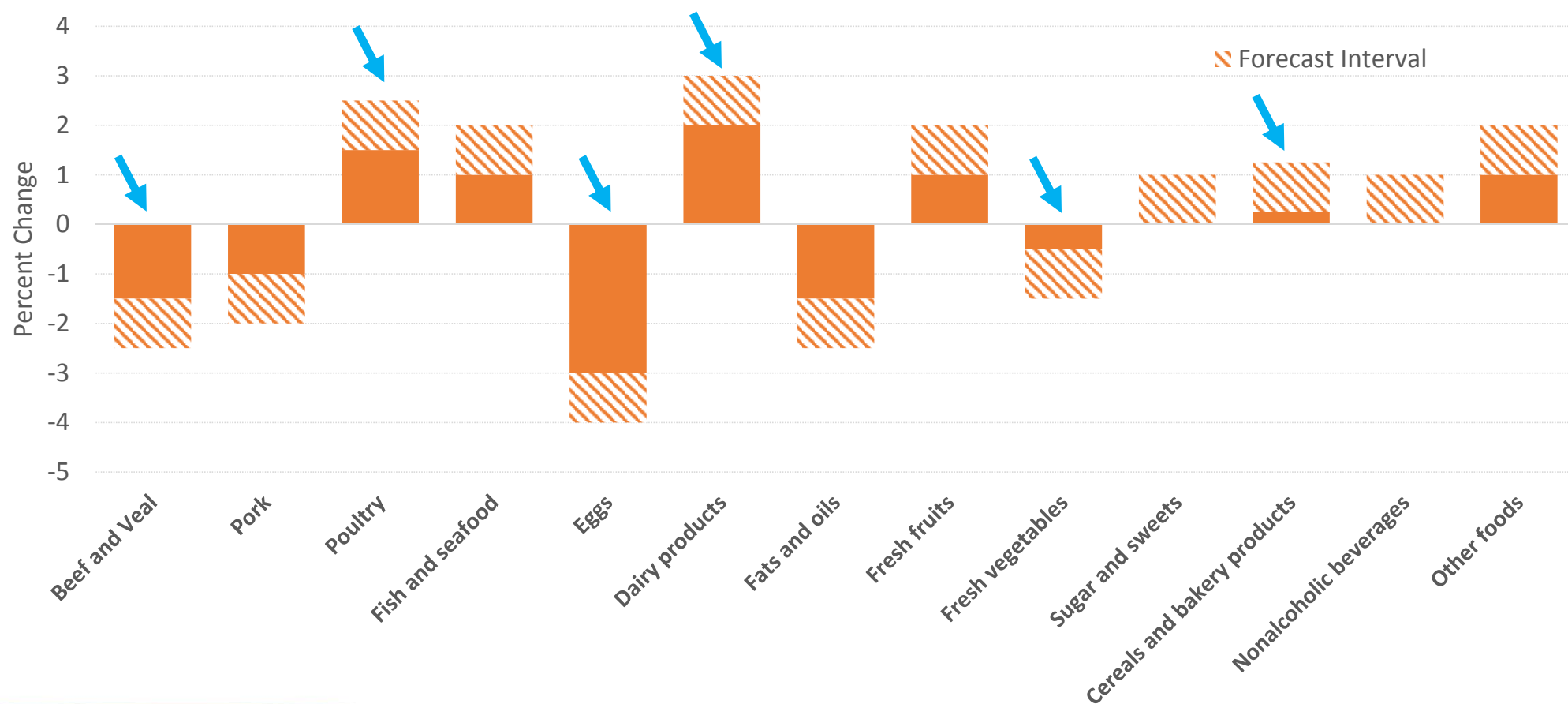
2017 GROCERY STORE (FOOD AT HOME) INFLATION BELOW HISTORICAL AVERAGE



Source: USDA, Economic Research Service Food Price Outlook.



2017 FORECASTS, BY RETAIL FOOD CATEGORY



Source: USDA, Economic Research Service Food Price Outlook.



FACTORS MOVING FOOD PRICES IN 2017

- Production
- Energy prices
- Drought
- Strength of U.S. dollar



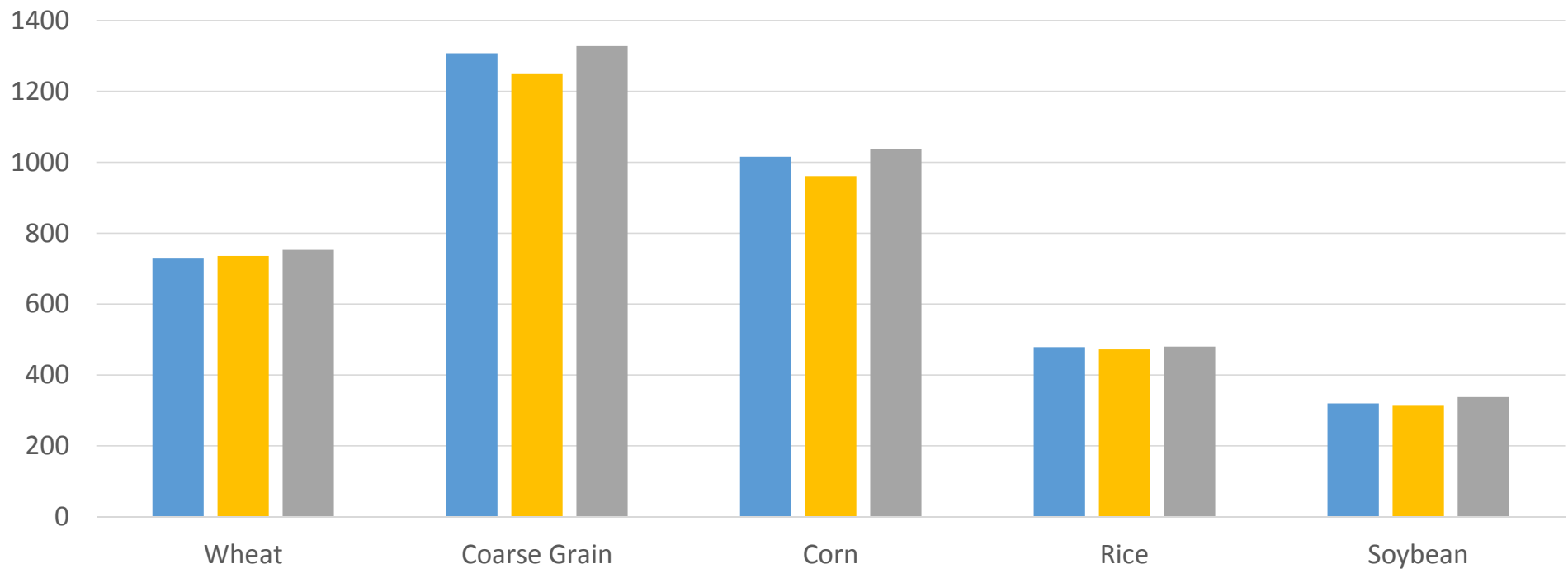
WORLD COMMODITY PRODUCTION

Metric Million Tons

■ 2014/15

■ 2015/16 Est.

■ 2016/17 Proj.



Economic Research Service
www.ers.usda.gov



Source: USDA, World Agricultural Supply and Demand Estimates.

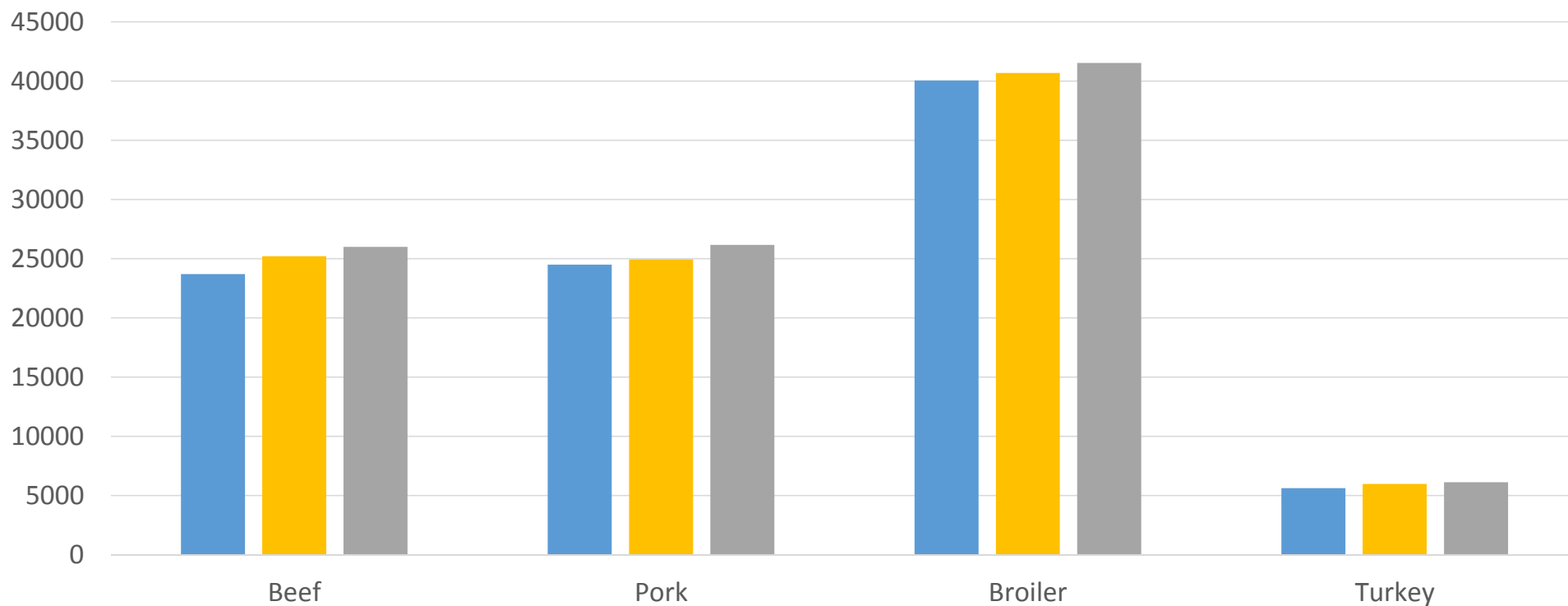
WORLD MEAT PRODUCTION

Million Pounds

■ 2014/15

■ 2015/16 Est.

■ 2016/17 Proj.

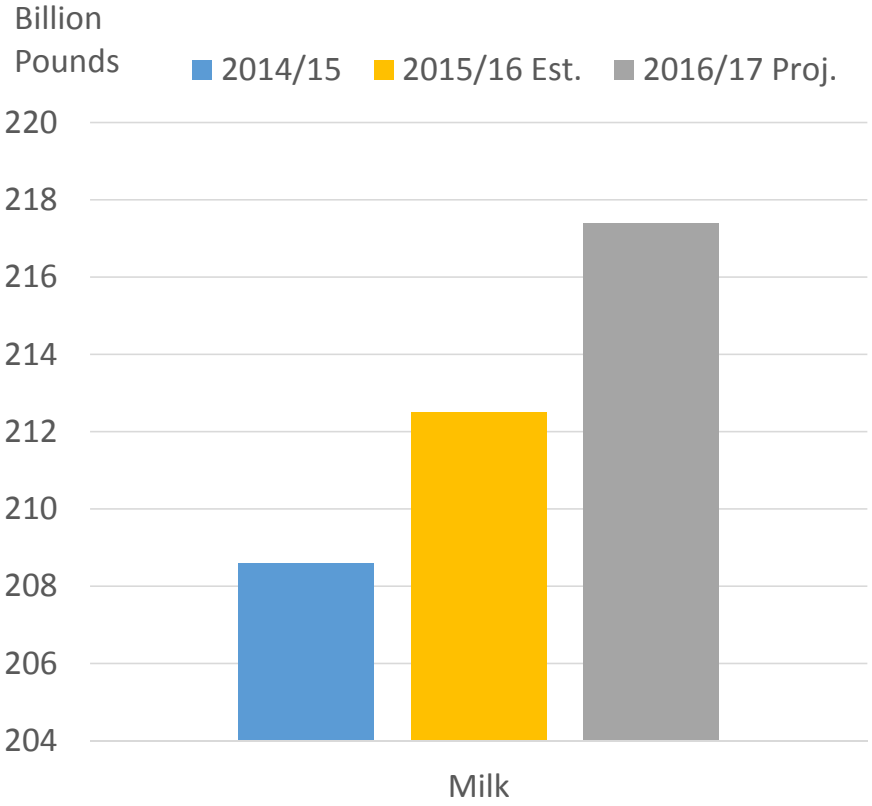
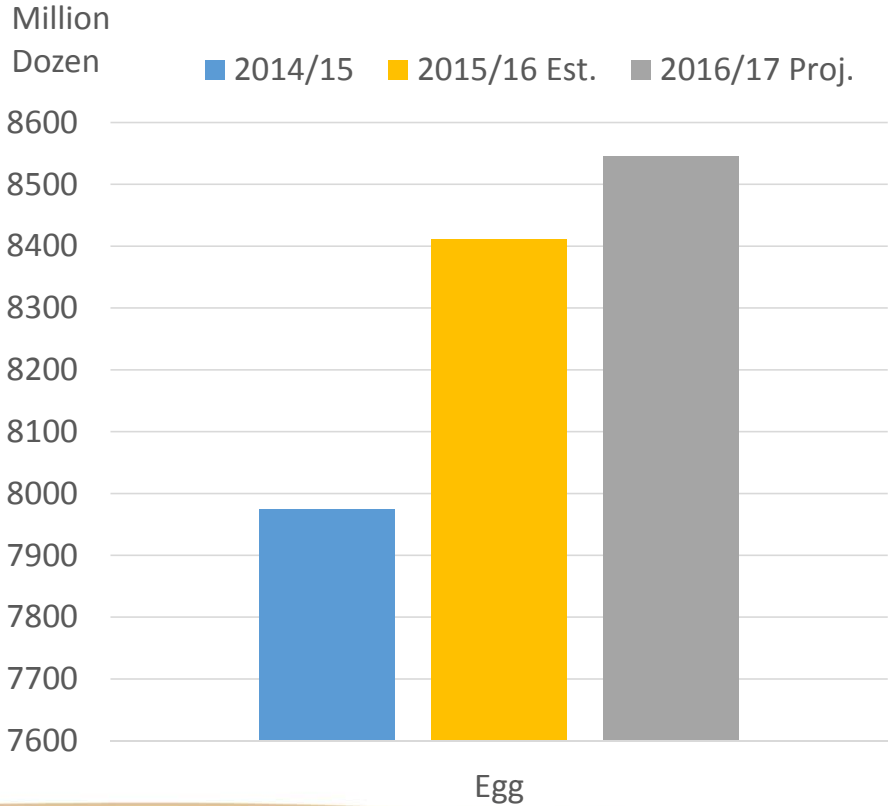


Economic Research Service
www.ers.usda.gov



Source: USDA, World Agricultural Supply and Demand Estimates.

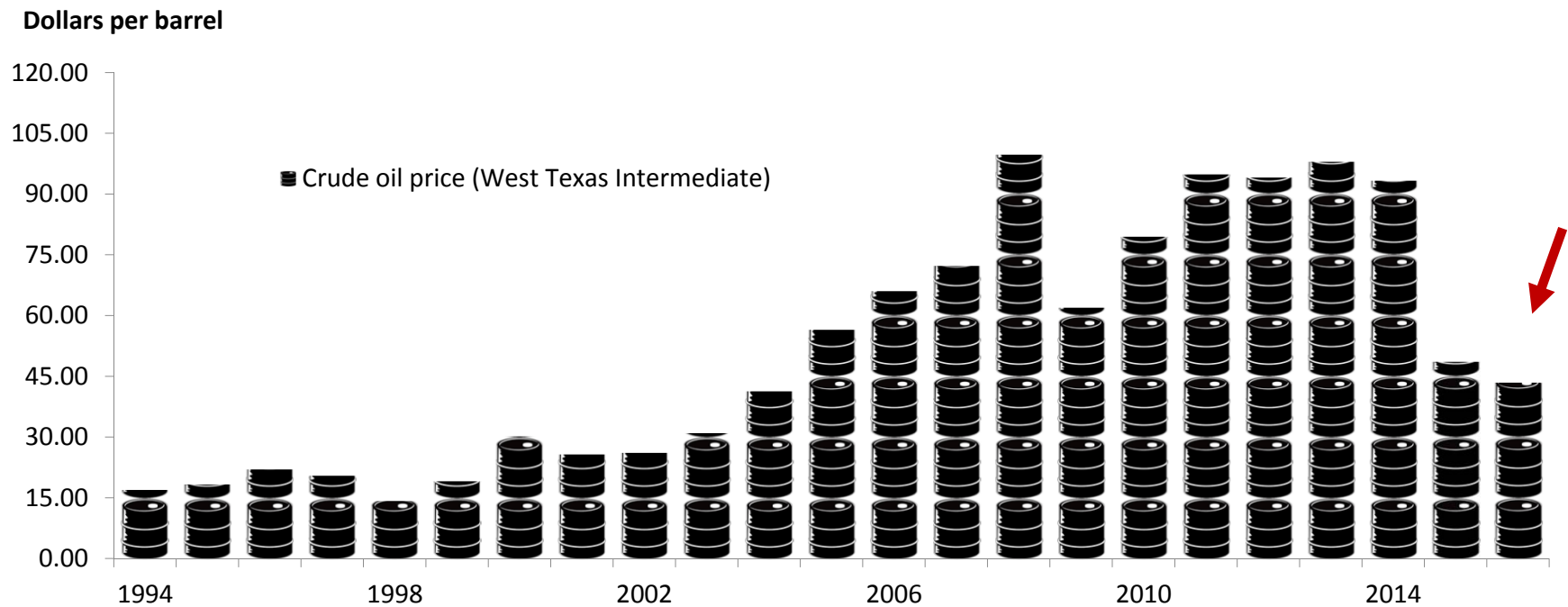
WORLD EGG AND MILK PRODUCTION



Source: USDA, World Agricultural Supply and Demand Estimates.



CRUDE OIL PRICES, 1994 - 2016



Source: USDA, Economic Research Service using data from the St. Louis Fed.



ENERGY PRICES EXPECTED TO INCREASE IN 2017 AND 2018

Potential to drive up costs for:

- Transportation
- Food processing
- Retail overhead

Price Summary				
	2015	2016	2017	2018
WTI Crude Oil ^a (dollars per barrel)	48.67	43.33	53.46	56.18
Brent Crude Oil (dollars per barrel)	52.32	43.74	54.54	57.18
Gasoline ^b (dollars per gallon)	2.43	2.15	2.39	2.44
Diesel ^c (dollars per gallon)	2.71	2.31	2.72	2.85
Heating Oil ^d (dollars per gallon)	2.65	2.10	2.61	2.75
Natural Gas ^d (dollars per thousand cubic feet)	10.36	10.19	11.21	11.37
Electricity ^d (cents per kilowatthour)	12.65	12.55	12.93	13.24

^a West Texas Intermediate.
^b Average regular pump price.
^c On-highway retail.
^d U.S. Residential average.

Source: U.S. Energy Information Administration.

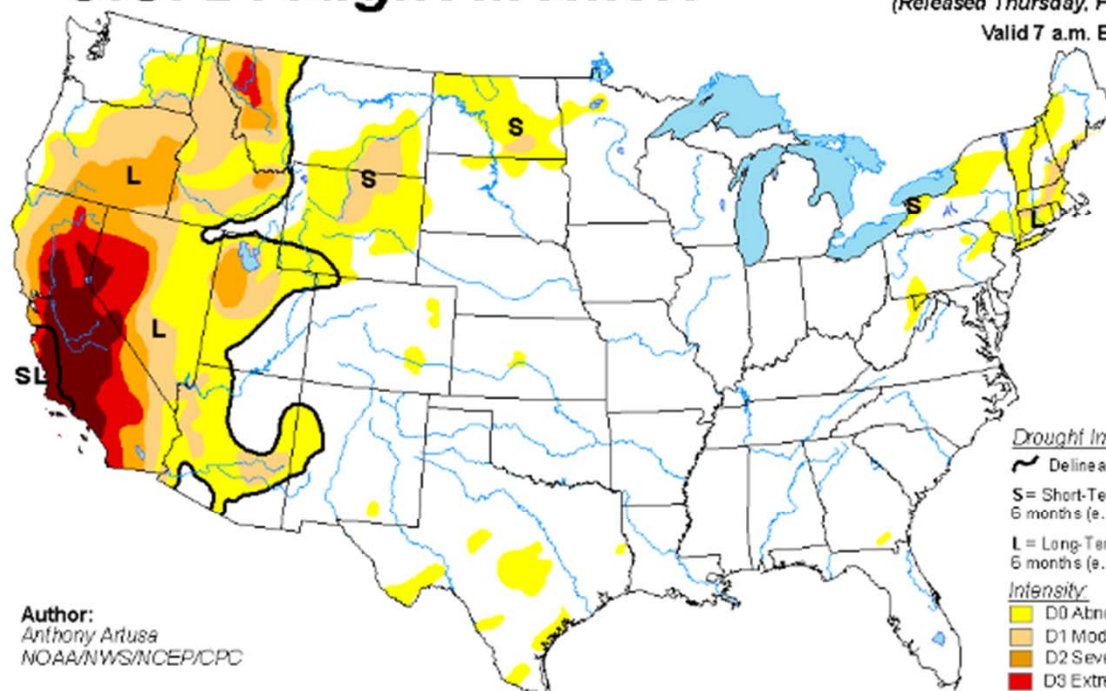


U.S. Drought Monitor

February 9, 2016

(Released Thursday, Feb. 11, 2016)

Valid 7 a.m. EST



Author:
Anthony Artusa
NOAA/NWS/NCEP/CPC

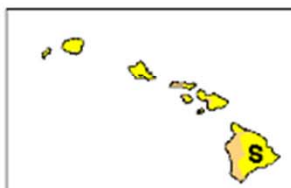
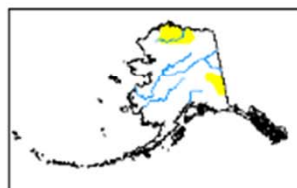
Drought Impact Types:

- ~ Delineates dominant impacts
- S = Short-Term, typically less than 6 months (e.g. agriculture, grasslands)
- L = Long-Term, typically greater than 6 months (e.g. hydrology, ecology)

Intensity:

- D0 Abnormally Dry
- D1 Moderate Drought
- D2 Severe Drought
- D3 Extreme Drought
- D4 Exceptional Drought

The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.



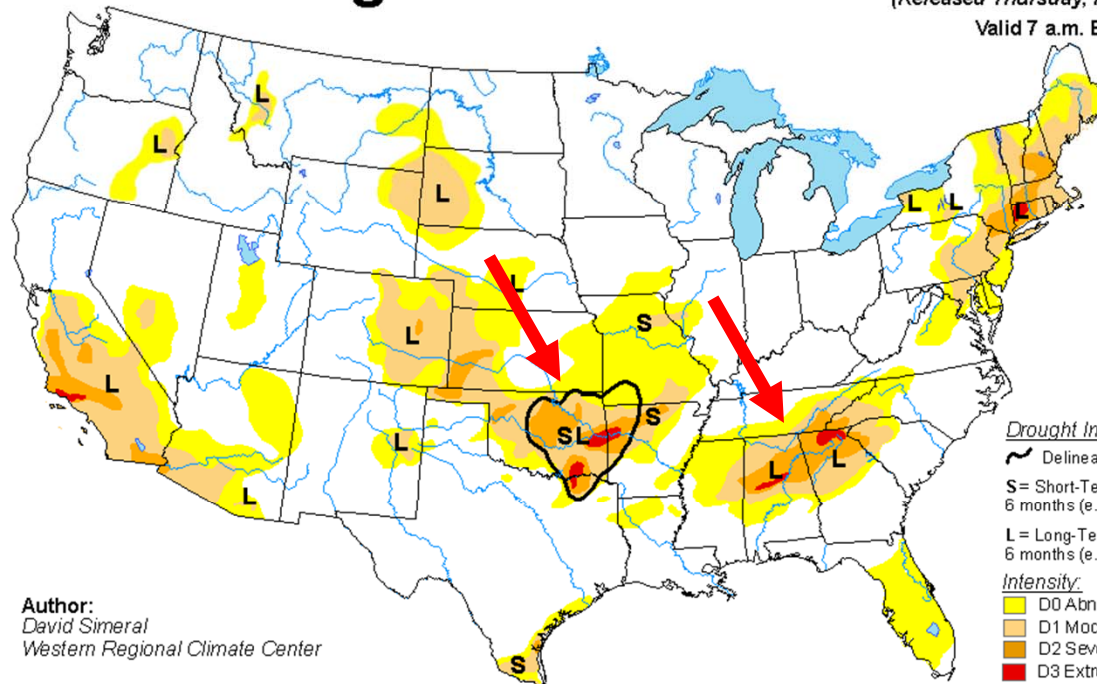
<http://droughtmonitor.unl.edu/>

Economic Research Service
www.ers.usda.gov



U.S. Drought Monitor

February 7, 2017
(Released Thursday, Feb. 9, 2017)
Valid 7 a.m. EST



Author:
David Simeral
Western Regional Climate Center

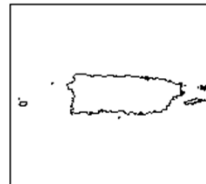
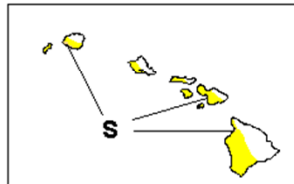
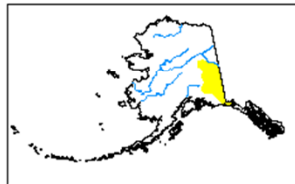
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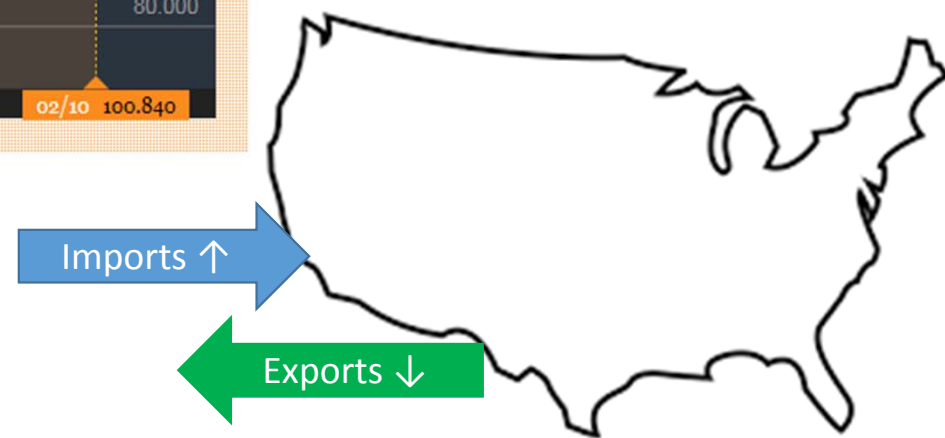
<http://droughtmonitor.unl.edu/>



STRONG U.S. DOLLAR



Source: Bloomberg Business, Dollar Index Spot (DXY: CUR), 5 year.



RETAIL FOODS TO WATCH IN 2017: EGGS

- Egg prices decreased 21.1 in 2016
- Industry recovers from production lows in 2015.
- Farm-level egg prices have trended upwards over the last several months
- Predicted to decrease 3.0 to 4.0 percent in 2017



RETAIL FOODS TO WATCH IN 2017: DAIRY

- Dairy prices deflated 2.3 percent in 2016
- Dairy imports have declined from very high levels in the first quarter of 2016
- Exports are expected to strengthen for products with high skim-milk content
- Domestic demand for dairy is expected to be high
- Dairy product prices to rise **2.0 to 3.0** percent in 2017



RETAIL FOODS TO WATCH IN 2017: FRESH PRODUCE



- Drought conditions in Southern California and Southeastern growing regions.
- Fresh fruit prices expected to increase 1.0 to 2.0 percent in 2017
- Fresh vegetable prices expected to decline between 0.5 and 1.5 percent in 2017



ERS FOOD PRICE OUTLOOK



- Updated 25th of each month
- 12 – 18 month forecast horizon (new year is added in July)
- Forecast 7 farm, 6 wholesale, and 19 retail food categories

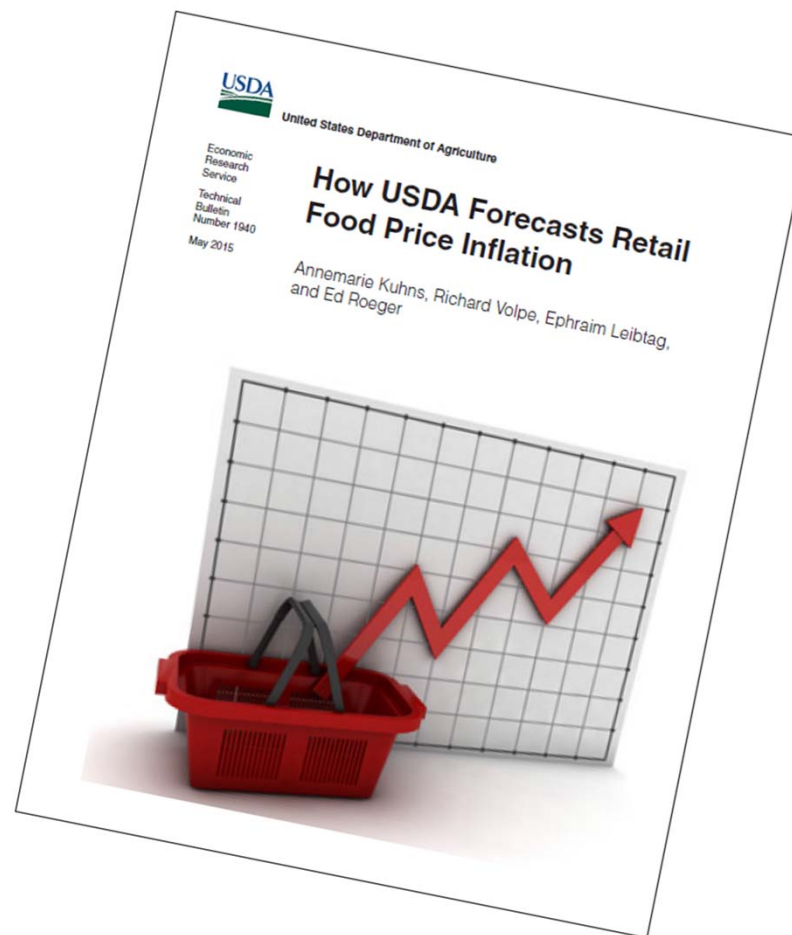
Available at:

<http://www.ers.usda.gov/data-products/food-price-outlook.aspx>



PUBLICATION ON FOOD PRICE FORECASTING METHODOLOGY

Economic Research Service has released a new report, providing a detailed outline of ERS's forecasting methodology, along with measures to test the precision of the estimates.

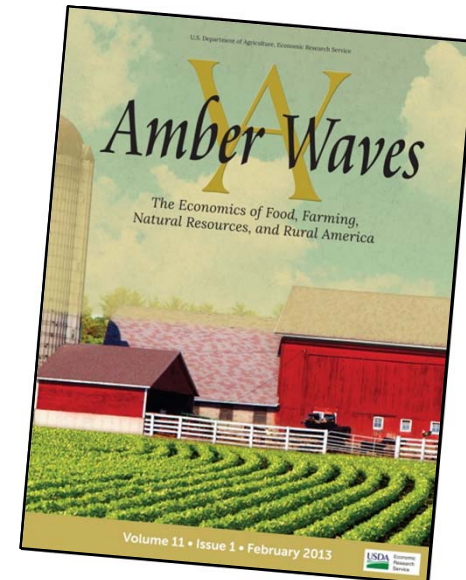


Amber Waves:

Presents current ERS economic and policy research on agriculture, food, rural America, and the environment for policymakers, academics and the public.

- Via **web connection** or **mobile app**

<http://www.ers.usda.gov/AmberWaves/>



THANK YOU!

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RESOURCES FOR FOOD PRICE TRENDS RESEARCH

- ERS California Drought Page:

<http://www.ers.usda.gov/topics/in-the-news/california-drought-2014-farm-and-food-impacts/california-drought-2014-food-prices-and-consumers.aspx>

- AMS Fruit and Vegetable Report

<http://www.ams.usda.gov/mnreports/fvwretail.pdf>

- IMF World Commodity Prices

<http://www.imf.org/external/np/res/commod/index.asp>

