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1979 Food Prices in Review

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Retail food prices rose 10.9 percent in 1979, while the overall rate of inflation was 11.3 percent. These rates compare with a 10-percent increase in food prices and a 7.7-percent overall inflation rate in 1978. Retail food prices are expected to rise another 7 to 11 percent during 1980, with overall prices expected to go up 10 to 12 percent.

1979 Food Prices in Review

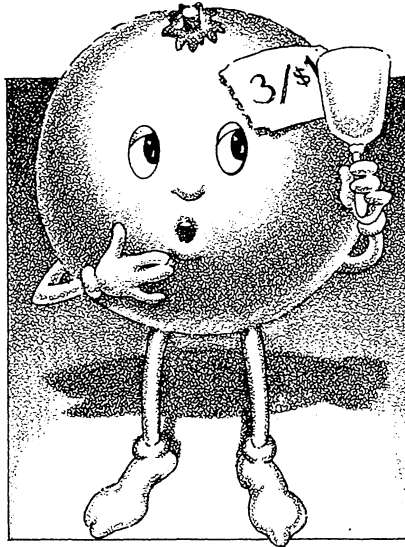
The cost of food at home rose 10.8 percent in 1979, while prices for food away from home rose 11.2 percent. The 10.9-percent overall rise in retail food prices was the largest since 1973 and 1974 when worldwide food shortages and the energy crisis led to increases of more than 14 percent.

Major causes of higher food prices in 1979 included reduced beef production, as cattle marketings reached a cyclical low, and reduced fruit production (mostly citrus) due to the freeze-damaged winter crop. Increased pork and poultry production and large fall harvests were offsetting factors.

The farm value of the market basket of domestically produced foods rose 11.4 percent in 1979 and accounted for a third of the 10.8-percent rise in the cost of food at home. Food marketing costs, as measured by the change in the farm-to-retail spread, rose 11.9 percent, accounting for over half of the rise in the cost of food at home. This reflected the tendency of changes in food marketing costs to parallel the inflation rate in the general economy. Fish and imported foods rose 6.6 percent in 1979, accounting for the remainder of the increase in at-home food prices.

First Quarter

Food prices increased at a seasonally adjusted annual rate of 17.7 percent in the first quarter of 1979. Higher prices were recorded for almost all major food groups with the largest increases for meats, fresh fruits, and vegetables. Large increases in farm commodity prices were the primary cause of these price rises. Increases in the farm value of the market basket accounted for almost three-fifths of the food price rise. Food marketing cost increases accounted for less than a third of the increase, with fish and imported foods contributing the remainder.



Retail prices for meats increased at a 51.5-percent annual rate in the first quarter, led by an 87.6-percent rate of increase in beef and veal prices. These price increases were due in part to first quarter beef production which was 9 percent below year-earlier levels, and to weather-related transportation problems in the Midwest.

Prices for fresh fruits and vegetables increased at a 20.2-percent rate, due in part to cold weather in the Southwest which damaged the citrus crop, and strikes in California which disrupted lettuce harvesting.

Second and Third Quarters

Retail food price rises in the second and third quarters moderated significantly from the rapid first quarter increases. The Consumer Price Index (CPI) for food slowed to a 7.5-percent rate of increase from April through June (second quarter), while in the third quarter the rate of increase was only 4.2 percent.

Increases in food marketing costs rather than commodity prices, were the primary sources of price increases in the second and third quarters. The farm value of the market basket fell in both the second and third quarters, but increases in farm-to-retail price spreads more than offset the farm value declines. Price increases for fish and imported foods also contributed significantly to third quarter food price rises, largely because of the increases in coffee prices resulting from the early June freeze in Brazil.

Meat and poultry prices generally de-

clined from June through August, rose somewhat in September but remained below their June levels. Continuing higher production of both pork and poultry and temporary increases in beef production were the primary reasons for price declines through August.

Prices for cereals and bakery products rose at a 17.8-percent rate during the third quarter. These changes were partly a result of higher flour prices early in the quarter. However, changes in marketing costs were also an important factor. Fresh fruit prices, primarily for apples, rose through August before the fall harvests began to affect the retail markets.

Fourth Quarter

By the end of the fourth quarter, food price increases had accelerated again. The 1.3-percent rise in December was the highest monthly increase since February 1979. Moderate increases earlier in the quarter held the rate of increase to 11.1 percent from October through December.

Food marketing cost increases were again the major cause of the higher prices, accounting for over half of the food price rise. After declining in October, the farm value rose the rest of the quarter and contributed one-fourth of the increase. Higher coffee prices caused the fish and imported foods category to account for about one-fifth of the fourth quarter rise.

Prices for beef rose at a 13.2-percent rate in the fourth quarter as cattle marketings declined and holiday demand strengthened. Pork prices fell, but by less than normal for the quarter. Much of the pork production increases were offset by stronger holiday demand for pork products, especially bacon and ham. Poultry prices rose slightly as lower turkey prices were offset by higher chicken prices.

Prices for fresh vegetables rose more than normal for the fourth quarter, but remained well below the high levels of the first quarter. Prices for potatoes and tomatoes rose significantly through the quarter since the sizes of both crops were smaller than in 1978. Fresh fruit prices declined more than usual through the end of the year. Total noncitrus production was about 7 percent higher than in 1978. In addition, a large citrus crop harvest began at the end of the year. ■