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Economic Research Service
U.S. DEPARTMENT OF AGRICULTURE

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Finding: Food Markets & Prices

March 01, 2021

Retail Food Price Inflation in 2020 Outpaced Historical Average by 75 Percent

by Carolyn Chelius and Matthew MacLachlan



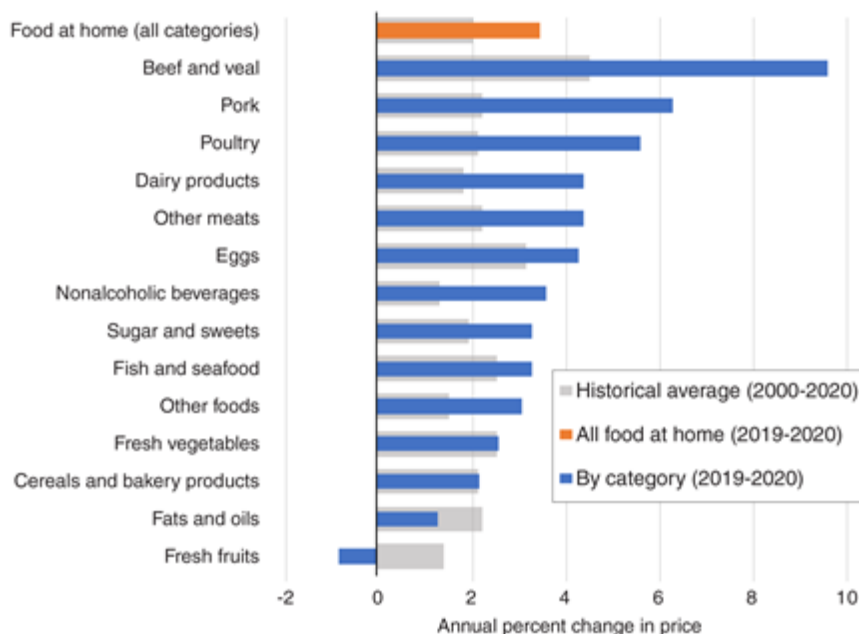
The coronavirus (COVID-19) pandemic had wide-ranging effects on U.S. consumers in 2020, including on the prices they encountered at the grocery store. Food-at-home price inflation was above average in 2020, primarily as a result of the pandemic. Grocery store food prices increased by 3.5 percent, on average, from 2019 to 2020. For context, the 20-year historical level of retail food price inflation is 2 percent per year—meaning the 2020 increase was 75 percent above average. This level of retail food price inflation was last realized in 2011, when poor weather, low commodity harvests, high fuel prices, and international trade disruptions increased global food prices.

Prices for every major food-at-home category except fresh fruits increased in 2020. Fresh fruit prices dropped 0.8 percent from 2019 because of domestic and international shifts in supply and demand. For example, stay-at-home orders in India, China, and Taiwan created port delays and staffing issues in the produce supply chain, decreasing the capacity to import U.S. fruit—particularly apples, grapes, and cherries. In the United States, the market for fruit shifted from foodservice outlets, such as restaurants and caterers, to retailers during the pandemic, contributing to an increased supply and reduced prices at grocery stores. Consumers also purchased fewer perishable products during quarantine. “Fats and oils” was the only other food category to experience lower inflation than its historical value—likely as the result of high soybean yields and decreased demand for frying oils because of COVID-19.

Meat prices showed the largest annual increases in 2020. Beef and veal prices increased 9.6 percent, pork prices rose 6.3 percent, poultry prices were up 5.6 percent, and “other meat” prices increased 4.4 percent. Historical inflation values for these categories are 4.4 percent, 2.2 percent, 2.1 percent, and 2.2 percent, respectively. The spike in meat prices was a result of reduced supply because of COVID-19-related processing plant closures. Meat prices had not experienced this level of inflation since 2014, when drought and high feed prices combined to drive up retail prices.

Stay-at-home mandates in 2020 increased demand for several food products in retail stores, rather than at restaurants and schools. Supply chains struggled to adapt to this transition, which put upward pressure on retail prices. Commodities particularly affected by this transition include meats, dairy, eggs, and nonalcoholic beverages. Dairy prices rose 4.4 percent, eggs were up 4.3 percent, and nonalcoholic beverage prices increased 3.6 percent during the year.

Food-at-home prices increased in all major food categories, except fresh fruits, in 2020



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

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The most significant food price increases of 2020 occurred in the spring, as the first wave of coronavirus cases occurred in the United States. For example, beef and veal prices increased 10.9 percent from April to May. Retail food prices started to decline for many categories in July, but the rate at which prices decreased was not as fast as the rate at which they increased. Also, several food categories did not experience continual declines in price from month to month and instead showed intermittent increases. For example, pork prices in 2020 decreased 1.4 percent from August to September but then increased 0.9 percent from September to October.

The uncertain nature of the coronavirus pandemic introduces challenges to forecasting food prices for 2021. Analysts with USDA's Economic Research Service currently predict retail food prices will increase 1 to 2 percent in 2021.

This article is drawn from...

[Food Price Outlook](#) , by Carolyn Chelius and Matthew MacLachlan, USDA, Economic Research Service, February 2021

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