

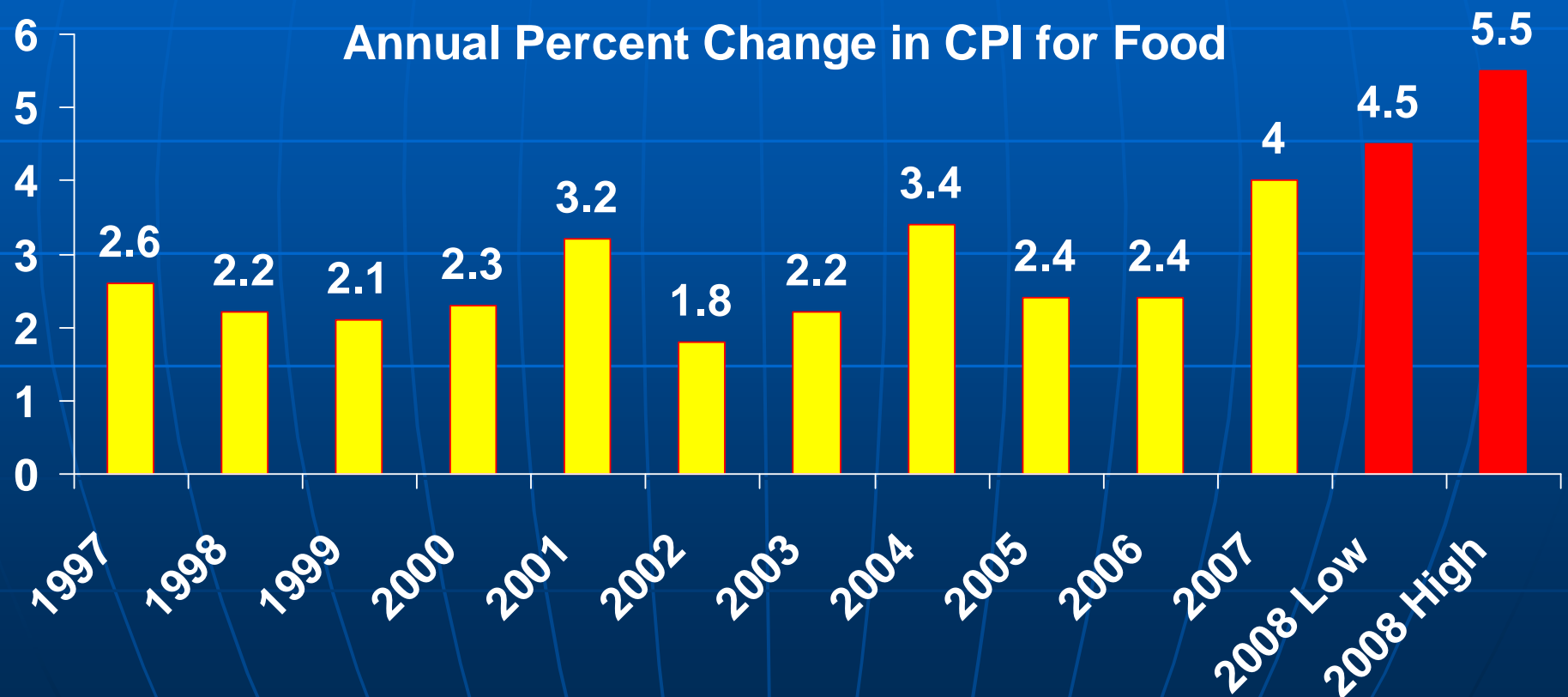
# ***Trends in U.S. Food Prices***

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***School Nutrition Association  
2008 Annual National Conference***

# Food Price Increase Above Historical Average in 2007-08

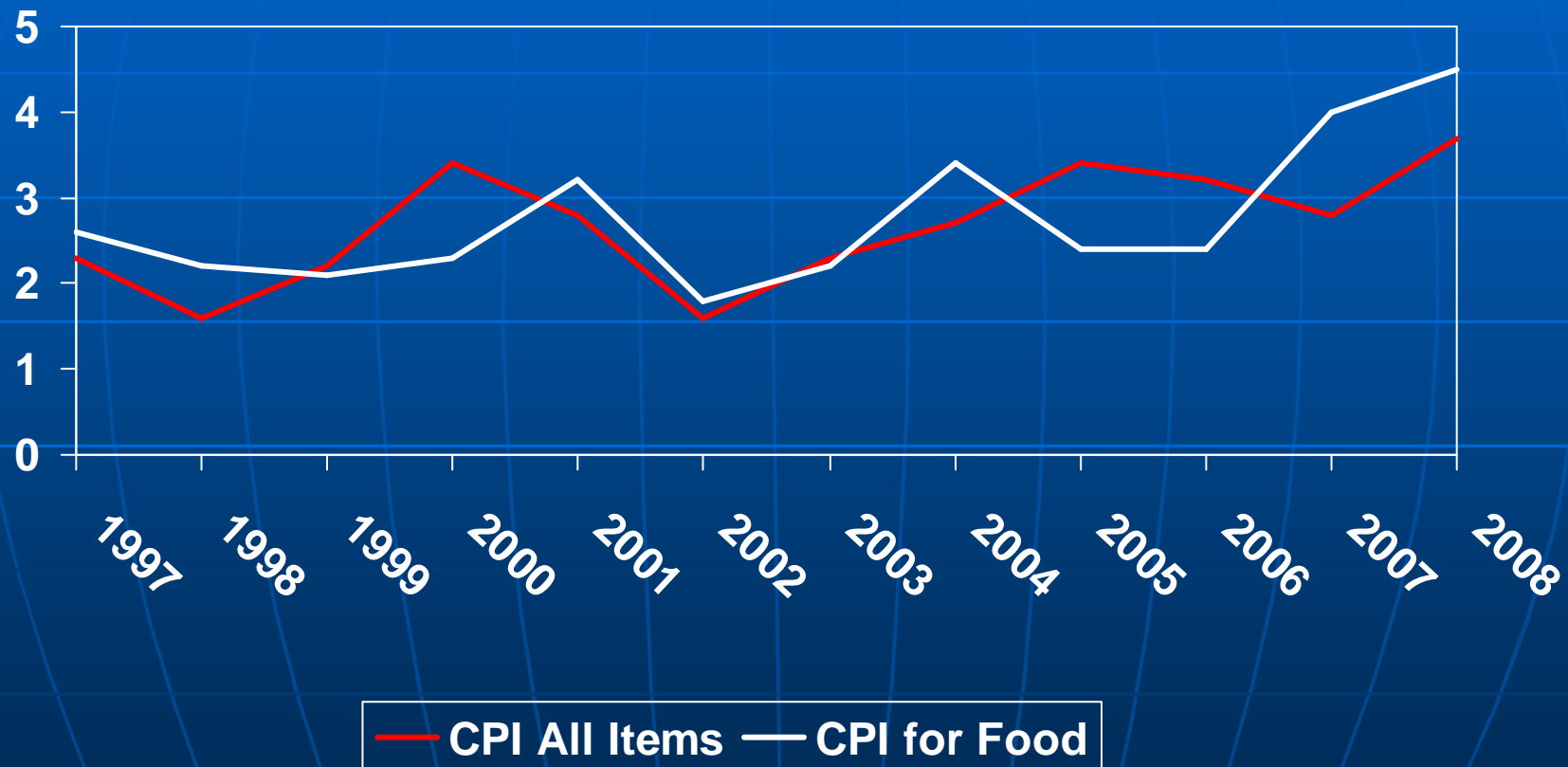


# Measuring Price Change

- *Consumer Price Index*
  - Representative outlets, food items
  - Month-to-month price change
  - Year-to-year price change
  - Indexes include:
    - *Food-at-home (retail)*
    - *Food-away-from-home (food service)*
    - *All Food (at-home, away-from-home)*
    - *All Items index*

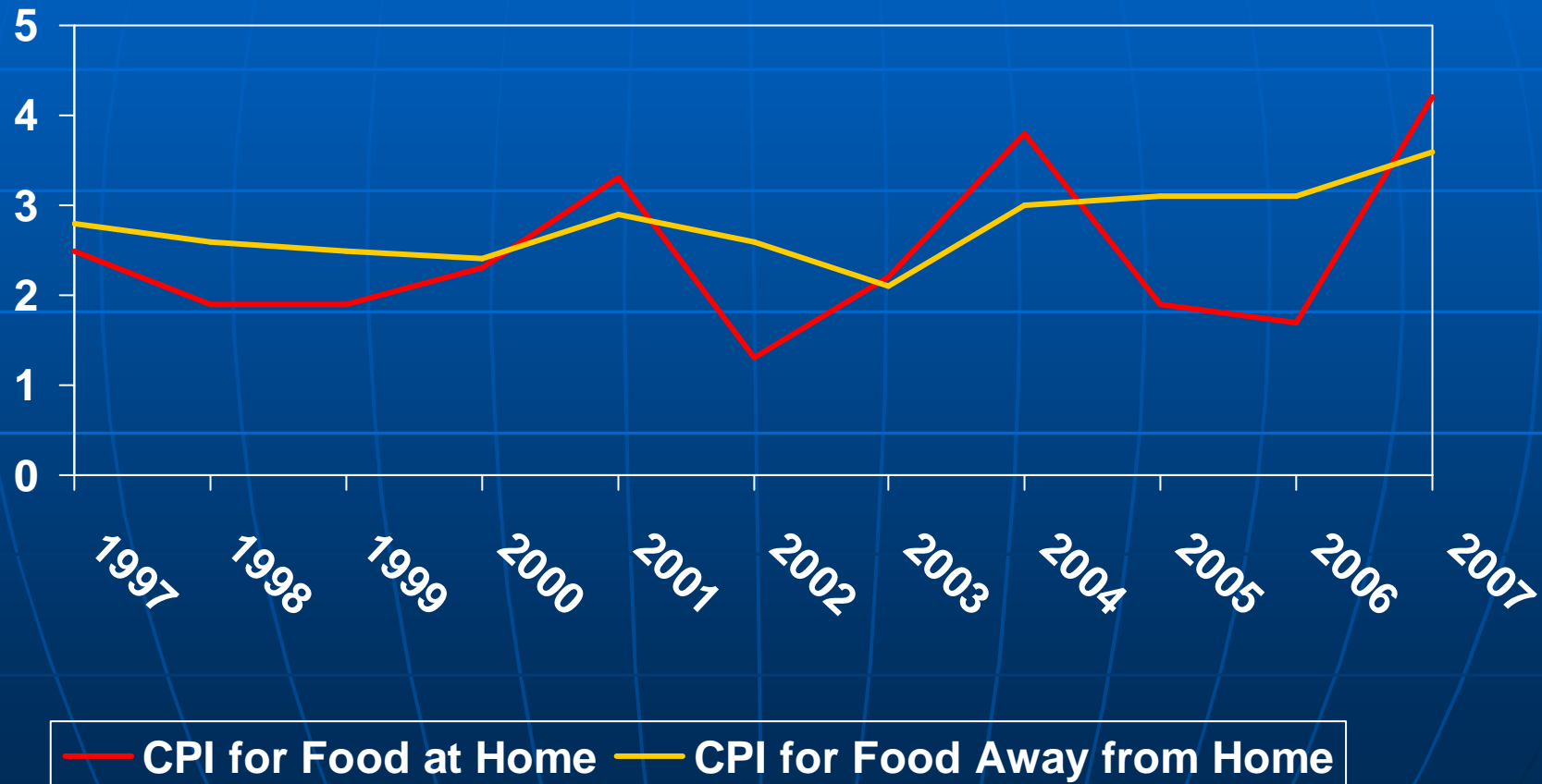
# Consumer Price Indexes, All Food and All Items, 1997-2007

Annual Percent Change



# Food-at-Home, Away-from-Home 1997-2007

## Annual Percent Change

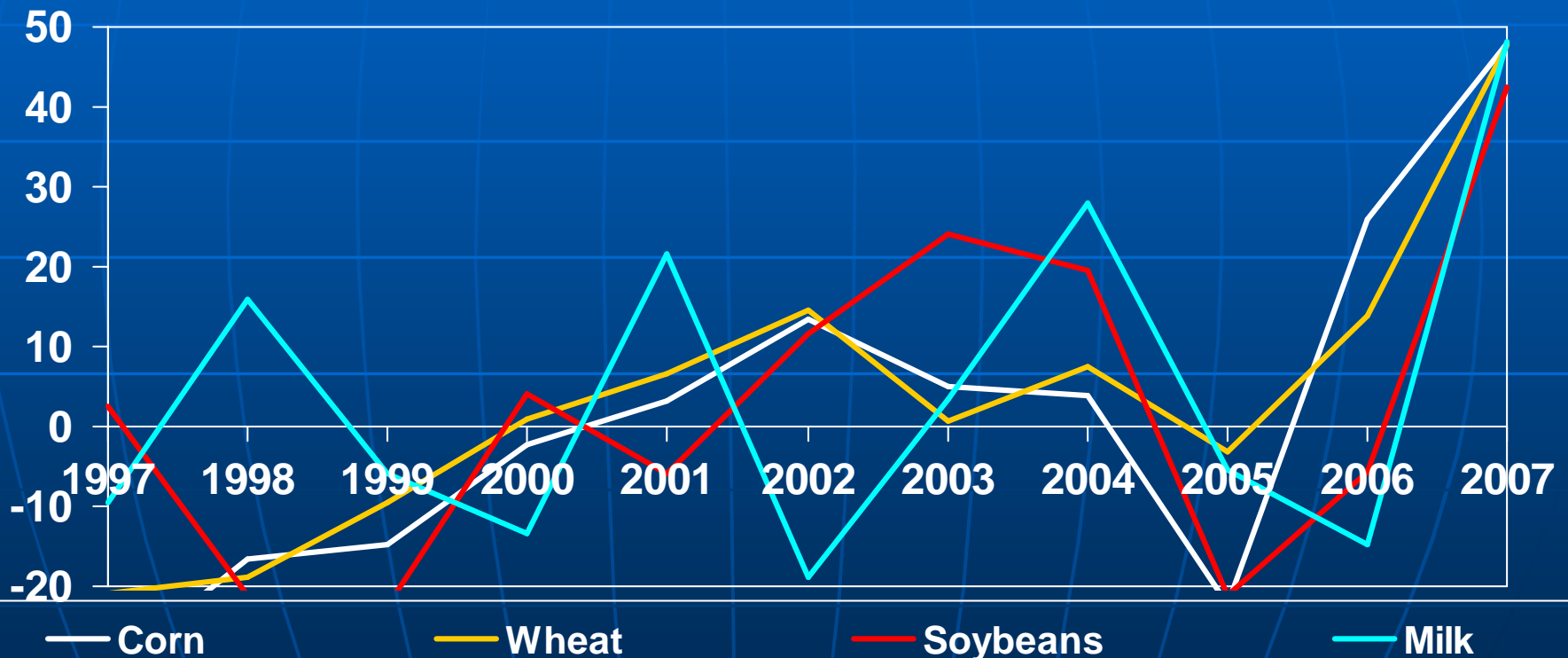


# Measuring Price Change of Intermediate/Supplier Goods

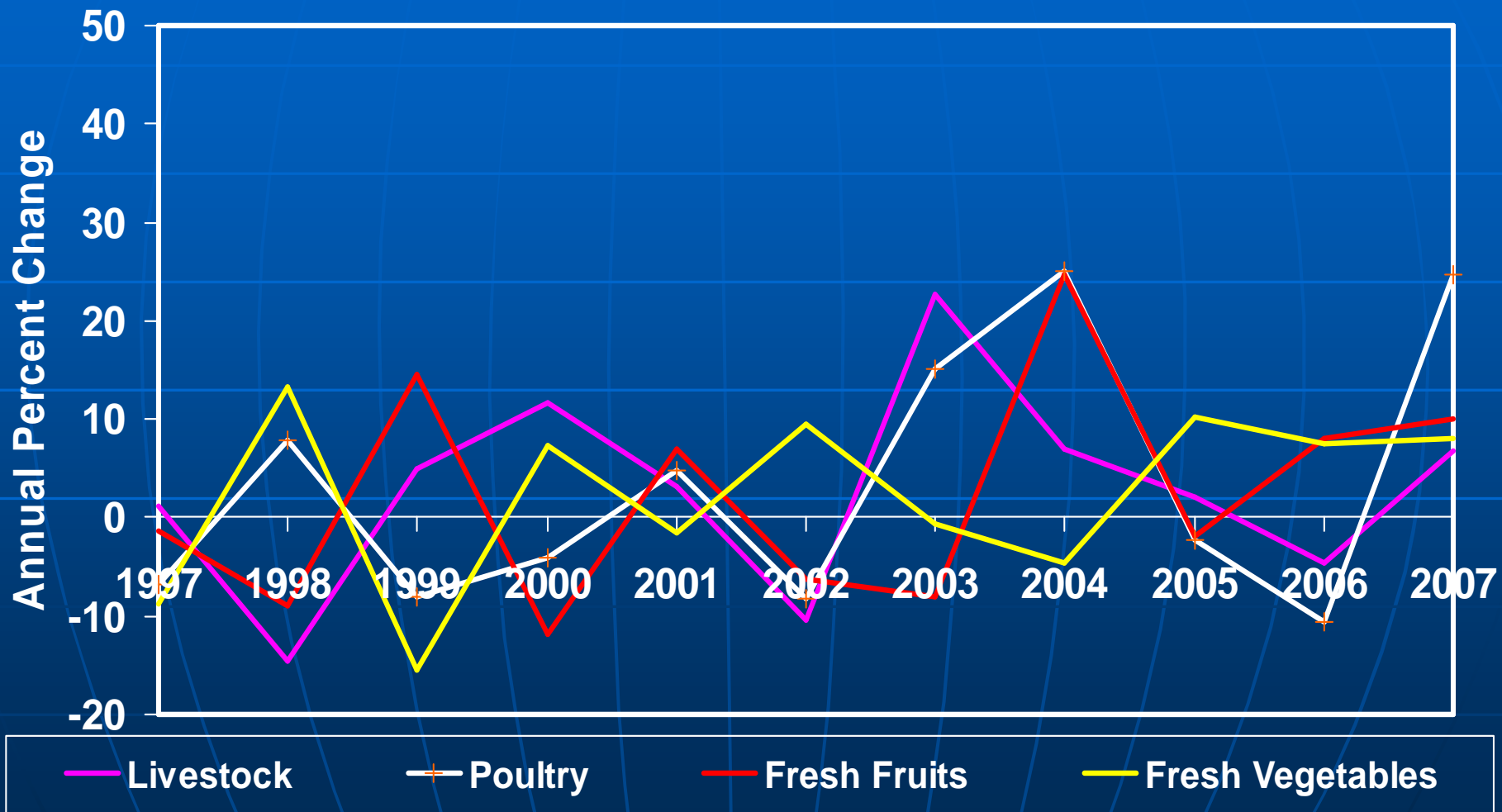
- *Producer Price Index -(farm and wholesale/supplier price change)*
  - Represents change in prices received by farmers, manufacturers, or distributors
  - Month-to-month change
  - Year-to-year change

# Farm Product PPI Components: Grains and Dairy

## Annual Percent Change



# Farm Product PPI Components, (cont'd.)



# Why are Commodity Prices Rising?

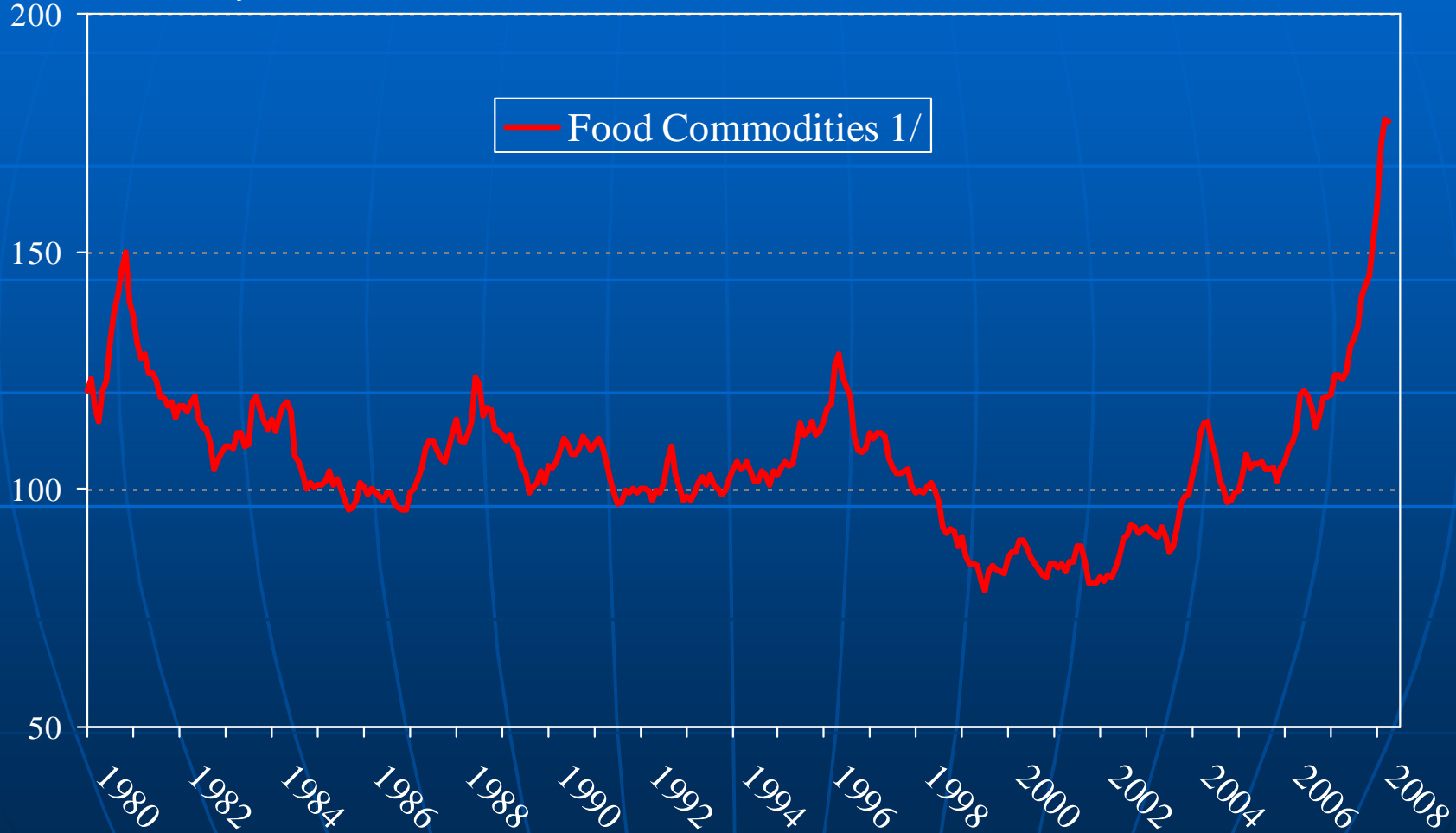
- Many agricultural prices are determined by global markets due to trade (exports and imports)
- The U.S. is a major supplier of agricultural commodities to global markets.
- Many countries depend on agricultural imports to meet food needs not domestically produced.

# Why are Commodity Prices Rising?

- Recent poor growing conditions
- Rising consumption in developing countries with growing economies
- Government policies and restrictions
- Rising energy costs
- Diversion of food/feed crops to bio-fuels

# Food Commodities on the Rise

Index: January 1992 = 100



source: Global Agricultural Supply and Demand, ERS-USDA, WRS-0801

# How does commodity/farm value affect food costs?

- *Food-at-home/Food Retailers*
  - Commodity/farm value varies by product (eggs, milk vs. frozen entrées, beverages, for example)
  - At the retail level, food costs account for a larger share of the final price.
  - Food price change impact greater

# How does commodity/farm value affect food costs?

- *Food-away-from-home/Foodservice:*
  - Commodity/farm value varies
    - Greater value-added products
    - Food is a smaller share of total cost
  - Higher non-food costs
    - 70 percent of total costs
    - Labor costs – 44 percent of total costs
  - Food price change impact lower

# How does commodity/farm value affect food costs?

## ■ *School Foodservice*

- Commodity share varies:

### **BREAKFAST**

- Heated Flapstick, Crispy Cereal, Honey Bear Grahams;
- Chilled Apple Juice, Cold Milk

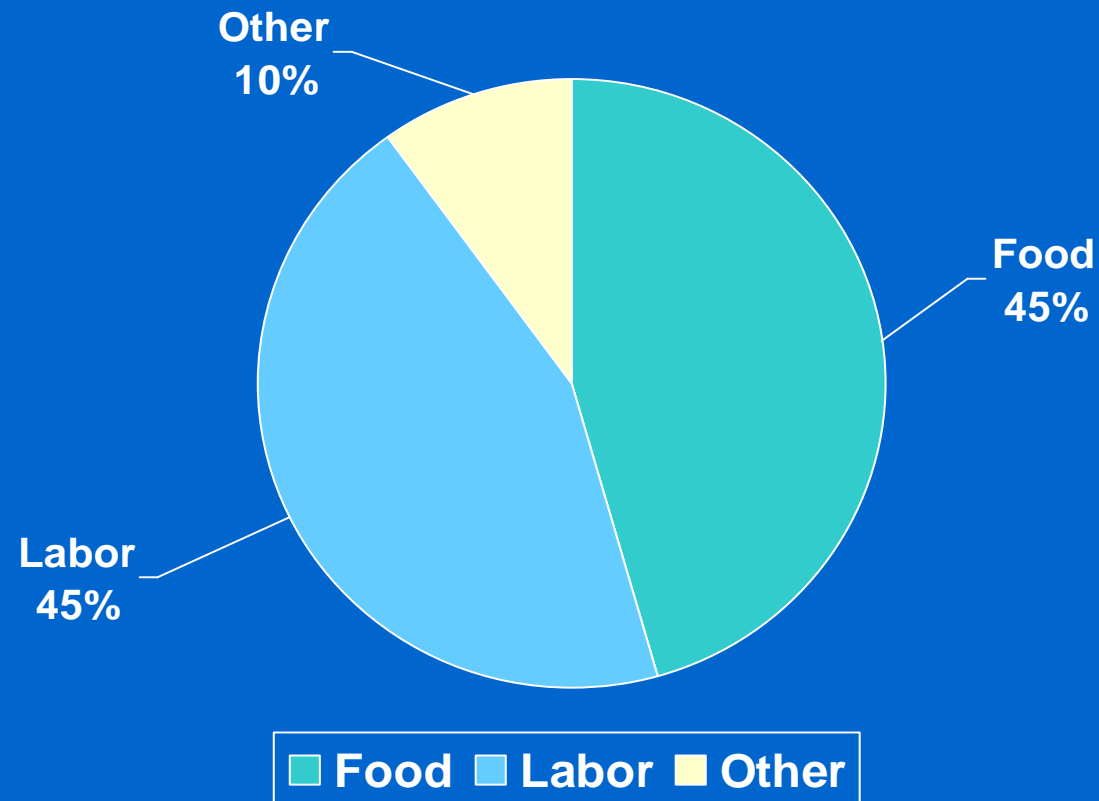
### **LUNCH**

- Oven Baked Chicken Nuggets, Fresh Pizzeria Pizza;
- Fluffy Whipped Potatoes;
- Choice of Chilled Fruit;
- Dinner Roll;
- Cold Milk

Source: FCPS Elementary School Menu, May 8, 2008.

# School Foodservice Costs

## Share of School Food Service Costs



Source: USDA-FNS, School Lunch and Breakfast Cost Study-II (2008)

# What is the Commodity Outlook?

- Short-term factors:
  - Food production and crop harvests
  - Export restrictions, government subsidies
- Long-term factors:
  - Global food demand as economies grow
  - Bio-fuels needed to reduce oil dependence
  - Rising production costs in agriculture

# Looking Ahead: What are the likely food price trends?

- Above-average prices through 2010:
  - Meat and poultry
  - Dairy products
  - Eggs
  - Other foods potentially affected by high energy costs:
    - Fresh fruits and vegetables (shipping costs)
    - Foods having significant processing costs
- Historical price increases after 2010.

**Slide 17**

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**MSoftware4** , 5/23/2008

# Thank You

***For more information:***  
**Visit the ERS website at:**  
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Go to:  
Child Nutrition Programs Briefing Room