

FEATURE –HIGHER GROCERY PRICES COULD STICK AROUND

INTRO: Higher prices at the grocery store could stick around for a while due to “sticky prices”. The U-S-D-A's Bob Ellison has more. (1:29)

WITH THE PRICE OF OIL AND COMMODITIES COMING DOWN, DOES THAT MEAN LOWER PRICES AT THE GROCERY STORE? NOT NECESSARILY ACCORDING TO ECONOMIST EPHRAIM (EH-FRIME) LEIBTAG (LEEB-TAG) WITH THE U-S DEPARTMENT OF AGRICULTURE’S ECONOMIC RESEARCH SERVICE.

Ephraim Leibtag, USDA ERS: We see a lot of times when prices especially at retail do not move exactly with what market forces might make you think. So the recent drop in commodity costs and ingredient costs would push down the costs of making food products but we haven’t seen a major effect at retail yet.

THE EFFECT IS CALLED STICKY PRICES. IT’S WHEN COMPANIES KEEP HIGHER PRICES FOR PRODUCTS DESPITE RAW INGREDIENTS GETTING CHEAPER. LEIBTAG SAYS RETAILERS MAY NOT BE ABLE TO AFFORD TO LOWER PRICES JUST YET.

Ephraim Leibtag, USDA ERS: When ingredient costs go down it doesn’t translate tomorrow to a lower price on the grocery shelf because there is a lag in the time of production.

BUT SOME GROCERY PRICES WILL COME DOWN IN THE SHORT TERM. SUCH AS NON-PROCESSED FOODS LIKE EGGS OR PRODUCE AS OPPOSED TO PROCESSED AND PACKAGED FOOD.

Ephraim Leibtag, USDA ERS: A box of cereal with its many ingredients and also many other packaging and manufacturing and advertizing costs on top of it is going to be immune or less impacted.

AS FOR LONG TERM GROCERY PRICES, LEIBTAG SAYS THERE IS A LOT OF UNCERTAINTY.

Ephraim Leibtag, USDA ERS: I’m not sure if the commodity prices that we are seeing now are long term stable and I don’t think the retailers or wholesalers know that either. If they did they’d be a whole lot more inclined to lower prices back down, kind of along the lines of what gas stations have been doing in terms of the gas prices.

IN WASHINGTON FOR THE U-S DEPARTMENT OF AGRICULTURE, I’M BOB ELLISON.