

RETAIL FOOD PRICE OUTLOOK

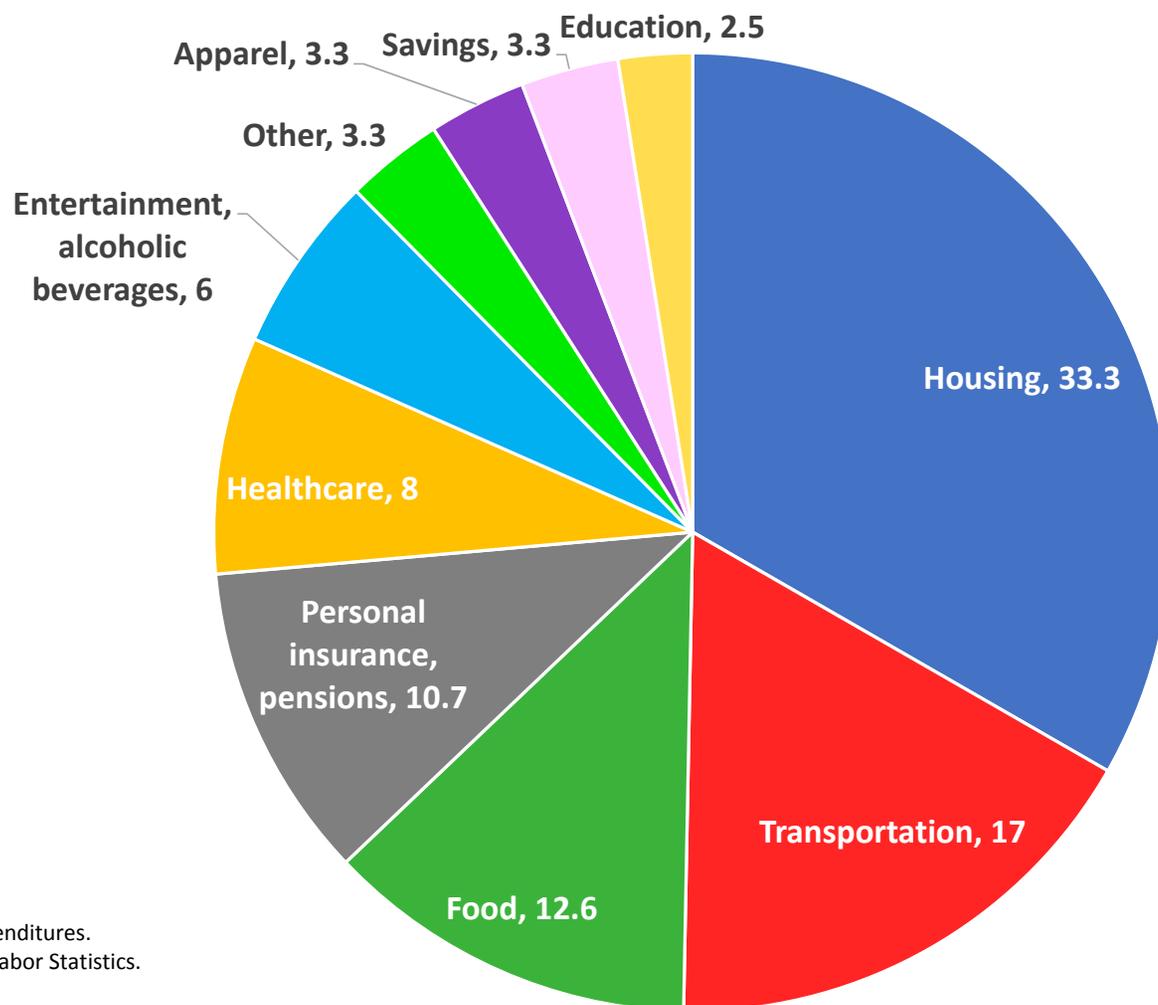
USDA Agricultural Outlook Forum
February 25, 2016



Annemarie Kuhns
USDA, Economic Research Service



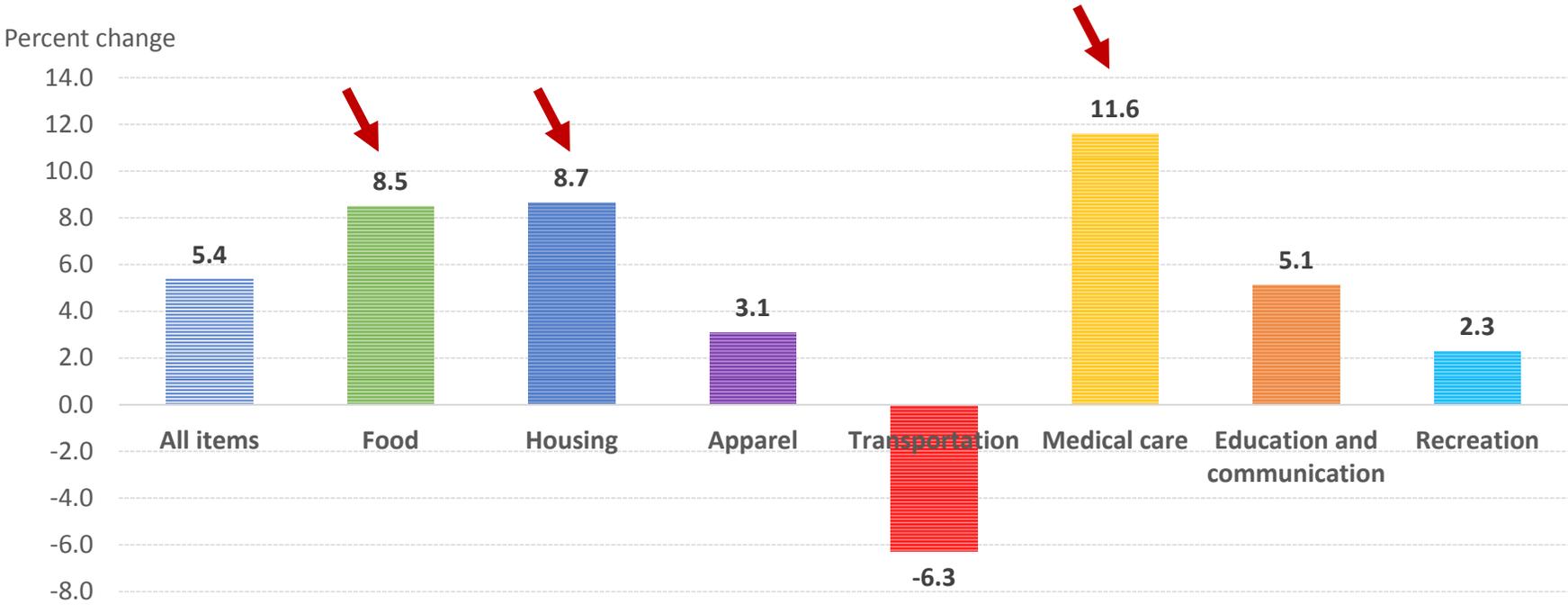
SHARE OF U.S. HOUSEHOLD CONSUMER EXPENDITURES BY MAJOR CATEGORIES, 2014



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.



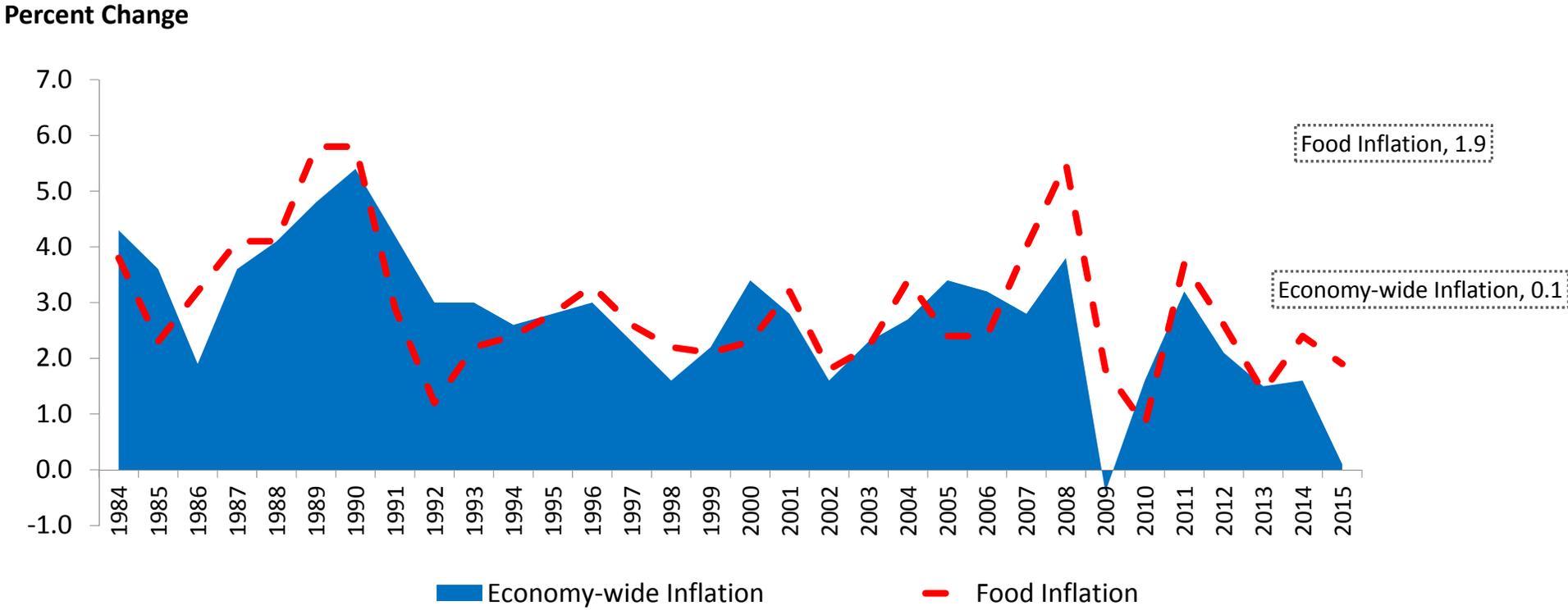
PERCENT CHANGE IN MAJOR CPI CATEGORIES, 2011-2015



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



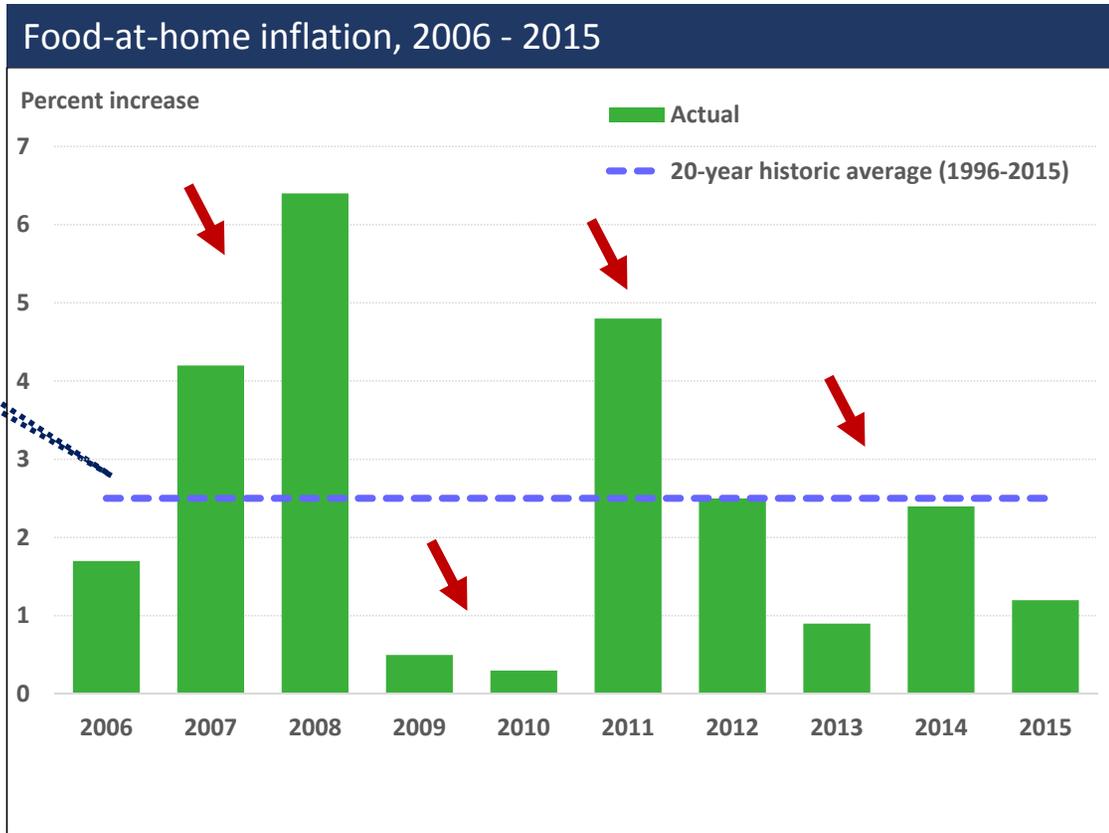
PERCENT CHANGE IN THE ALL-ITEMS CONSUMER PRICE INDEX (CPI) AND FOOD CPI, 1984 - 2015



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



2015 RETAIL FOOD INFLATION BELOW HISTORICAL AVERAGE

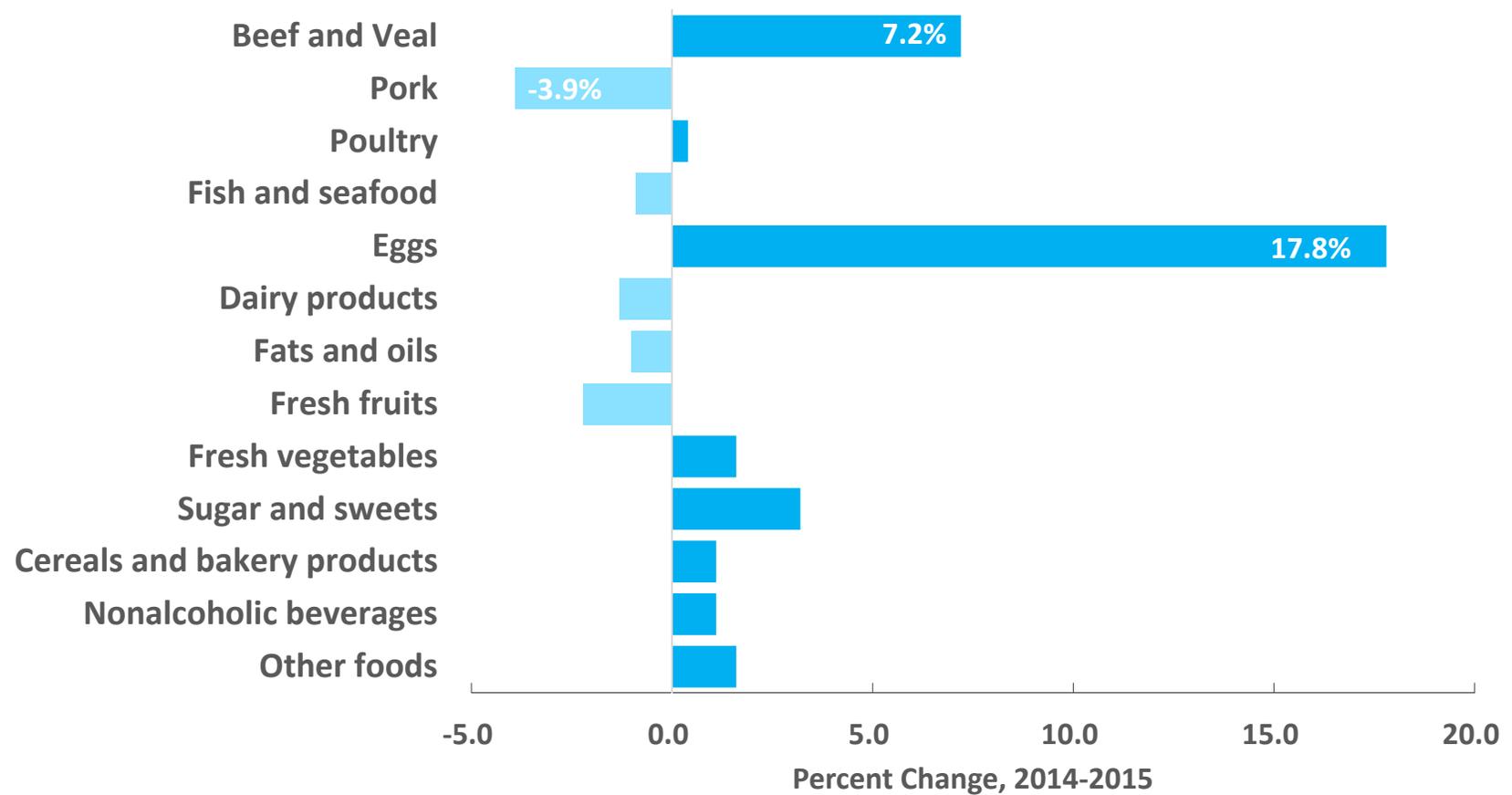


2.5%

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



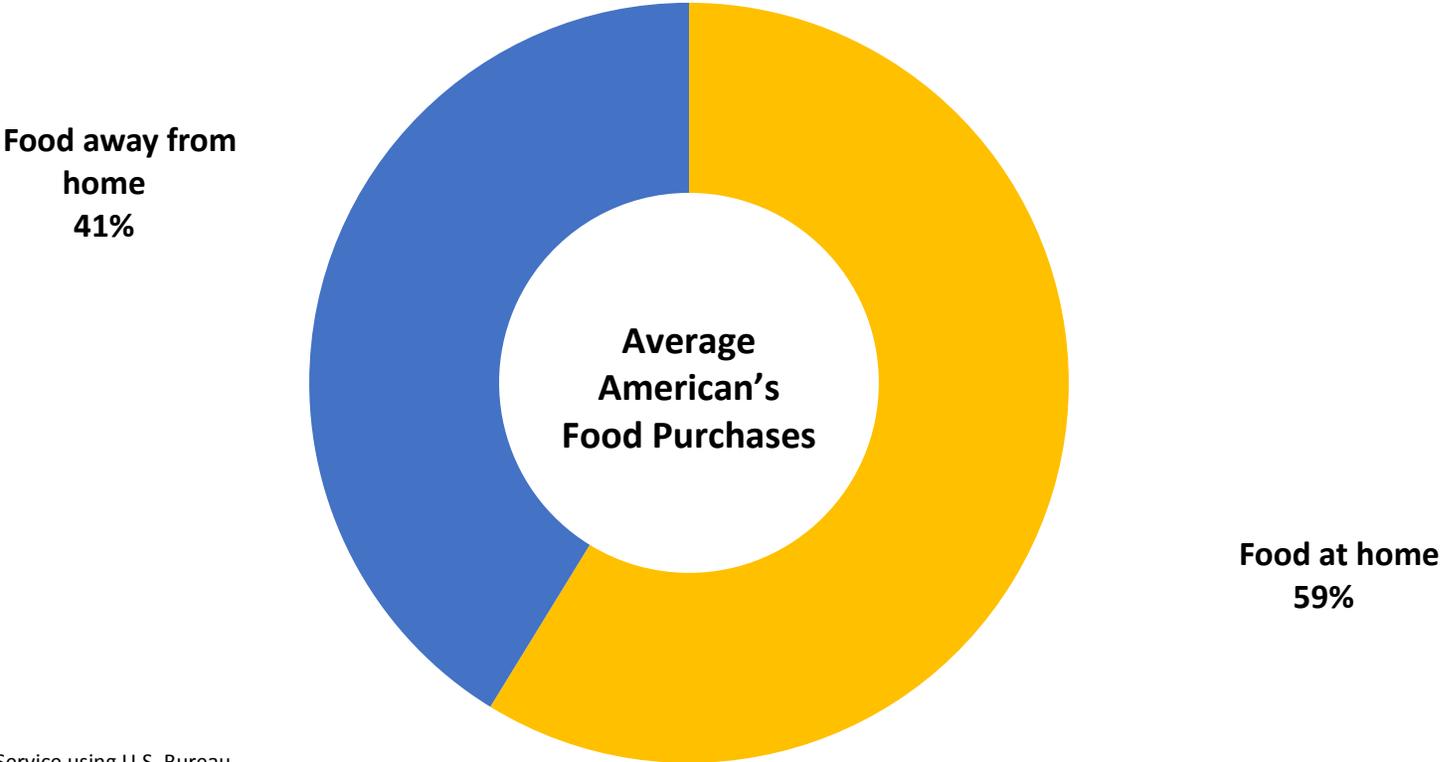
ANNUAL PERCENT CHANGE IN FOOD PRICES BY CATEGORY, 2015



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



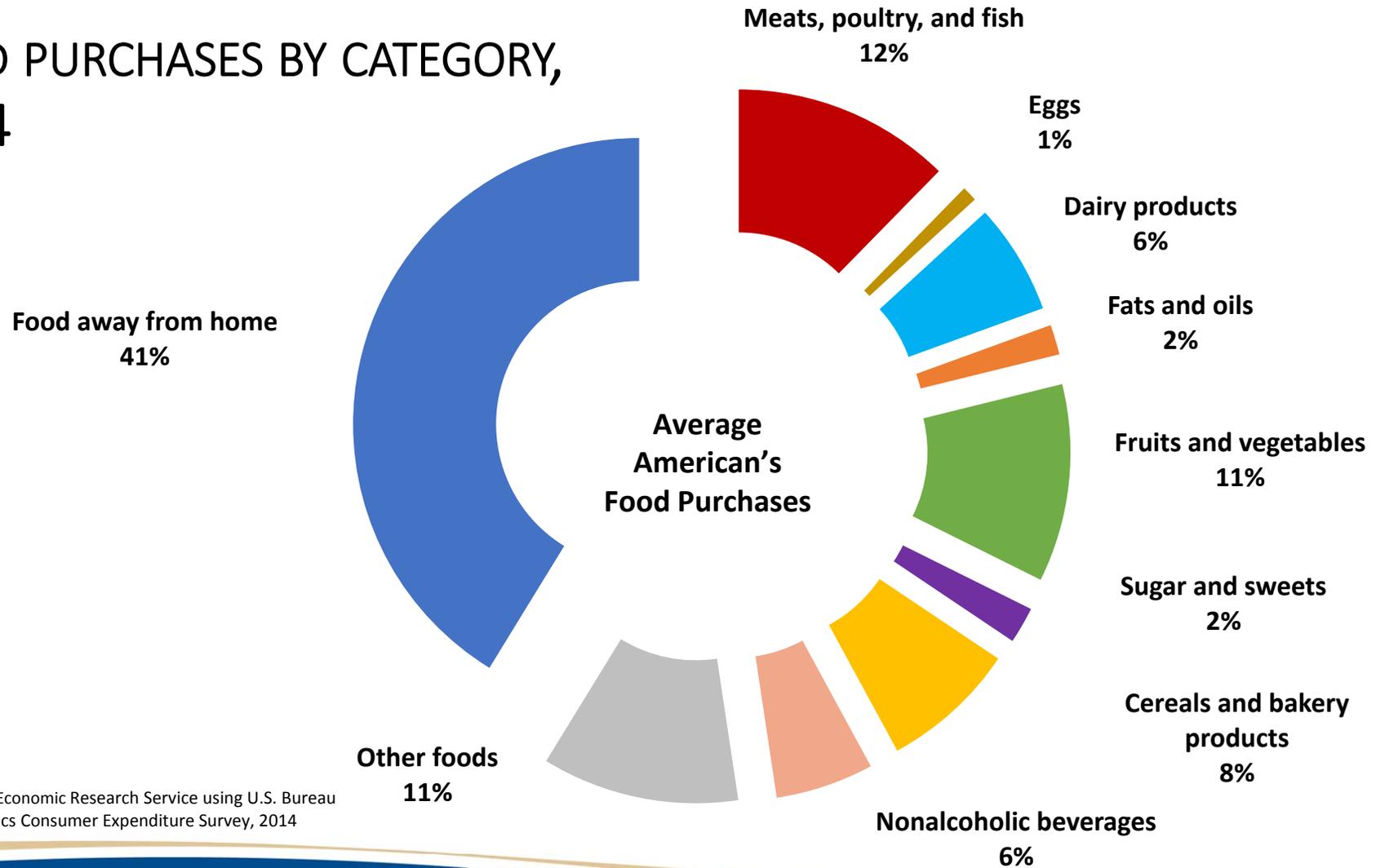
GROCERY VERSUS RESTAURANT PURCHASES, 2014



Source: USDA, Economic Research Service using U.S. Bureau of Labor Statistics Consumer Expenditure Survey, 2014



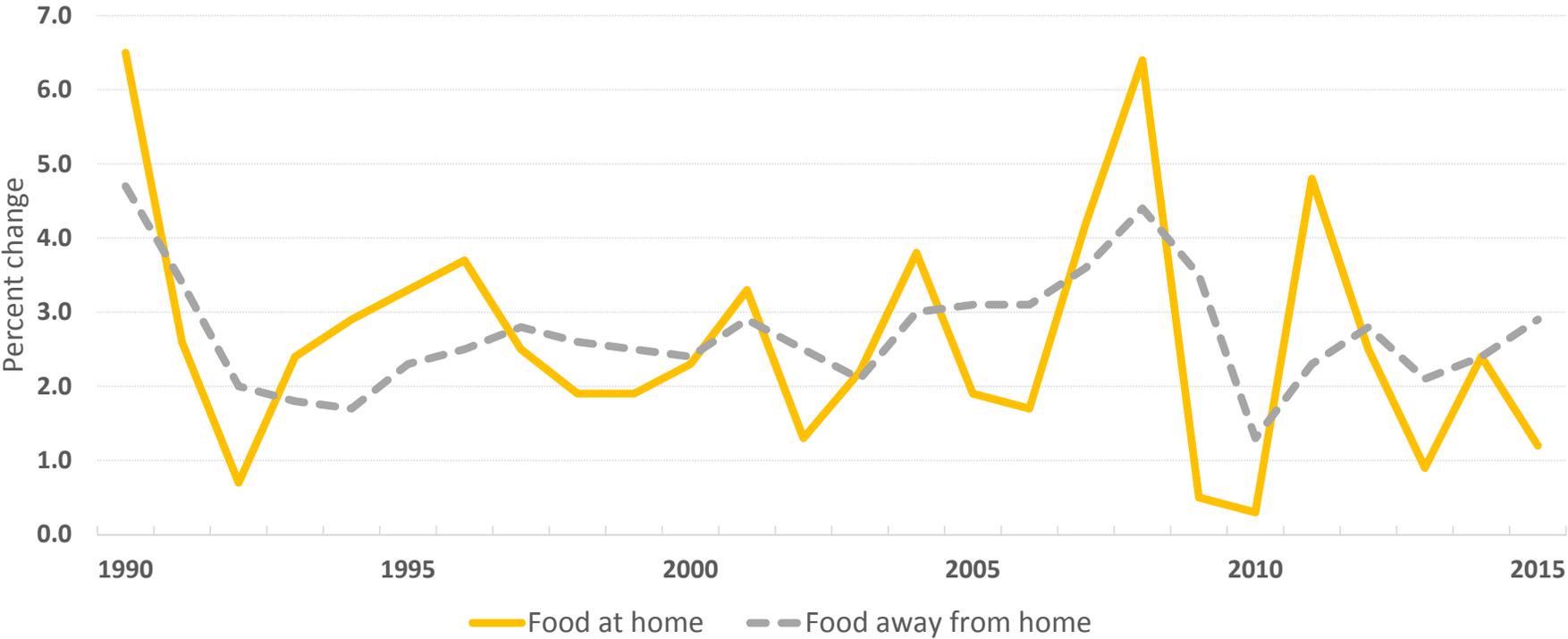
FOOD PURCHASES BY CATEGORY, 2014



Source: USDA, Economic Research Service using U.S. Bureau of Labor Statistics Consumer Expenditure Survey, 2014



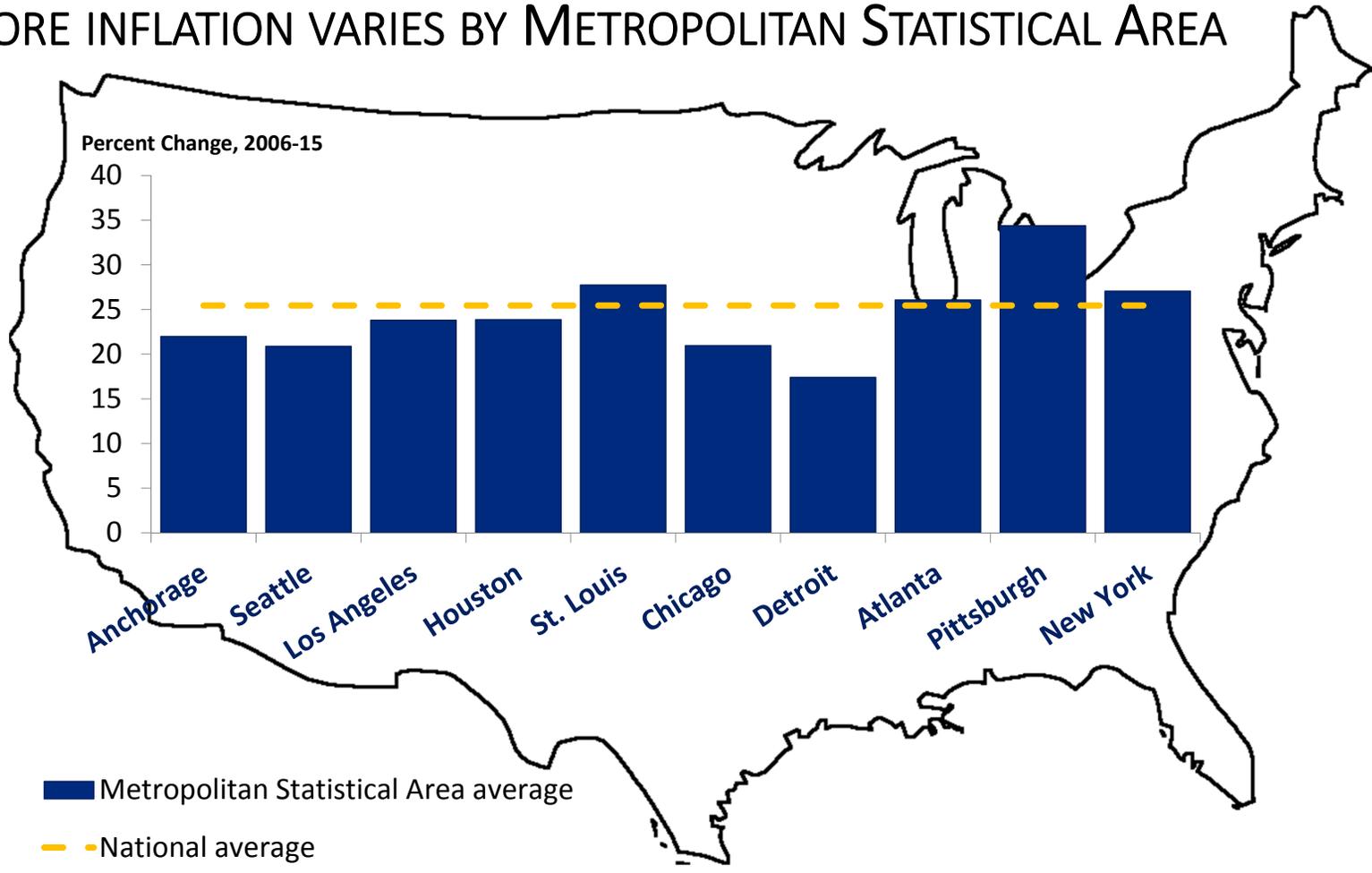
ANNUAL PERCENT CHANGE IN FOOD AT HOME AND FOOD AWAY FROM HOME CPIs, 1990-2015



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



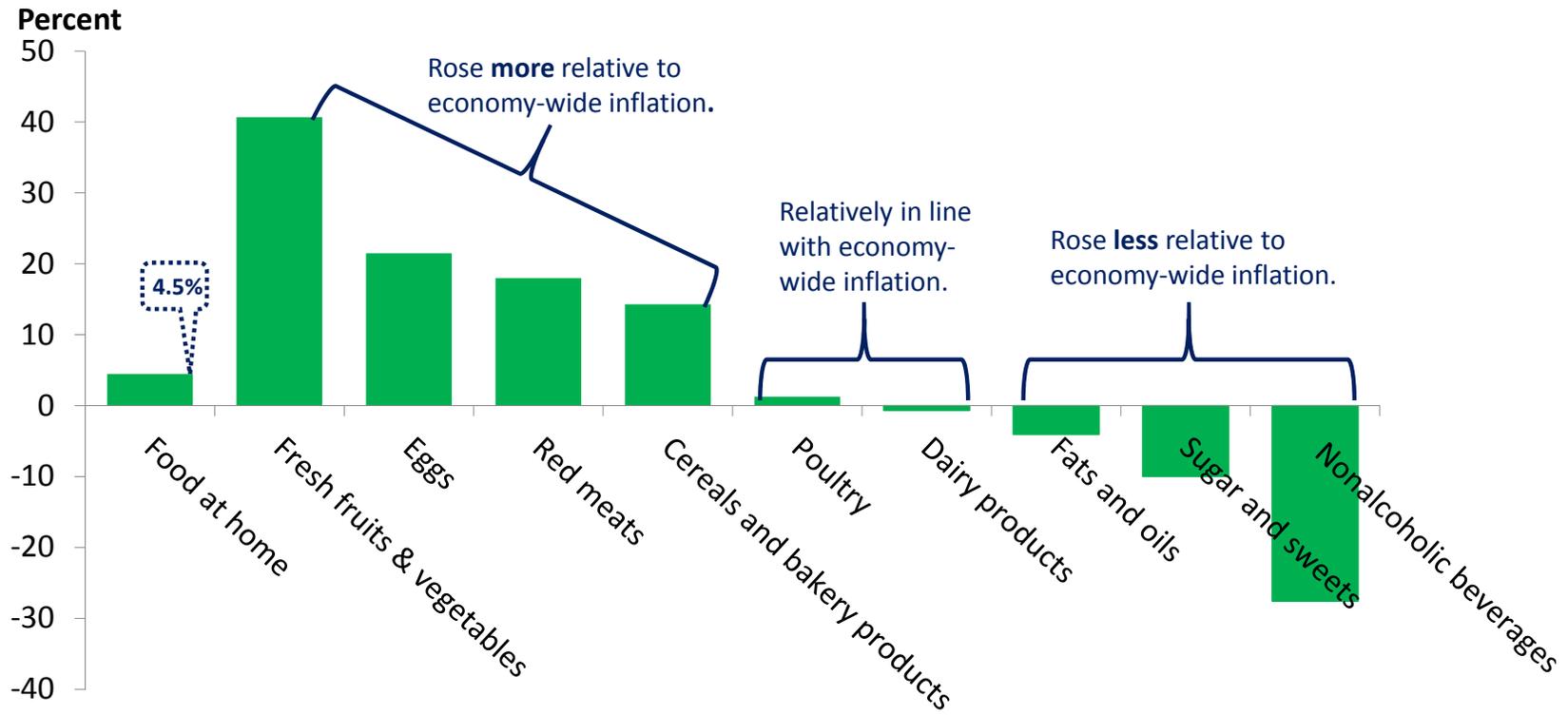
GROCERY STORE INFLATION VARIES BY METROPOLITAN STATISTICAL AREA



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



CHANGE IN INFLATION-ADJUSTED (REAL) FOOD PRICES, 1985 - 2014



Note: Price indices for all series were converted to 1985 dollars using the all-items CPI (non-seasonally adjusted) and then the percentage change over the 30 year period was calculated.

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



PRICES, SELECTED FOODS: 1985 vs 2015

Ground beef,
100% beef, per lb.



1985: \$1.24

2015: \$4.17

Eggs, grade A,
large, per doz.



1985: \$0.80

2015: \$2.47

Bananas, per lb.



1985: \$0.37

2015: \$0.58

Lettuce, iceberg,
per lb.



1985: \$0.54

2015: \$1.16

Peanut butter creamy,
all sizes, per lb.



1985: \$1.54

2015: \$2.68

2015 dollars adjusted for inflation:

\$1.83

\$1.08

\$0.26

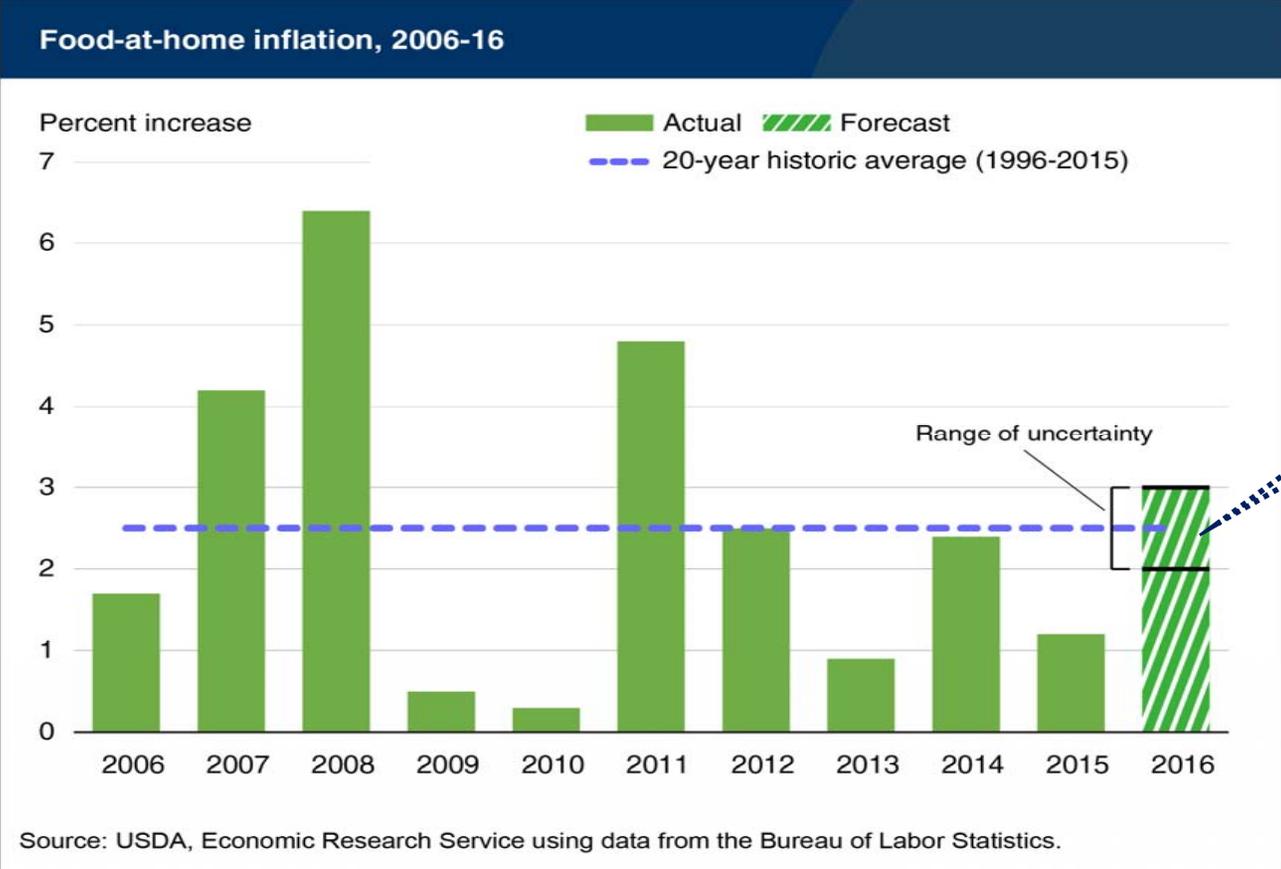
\$0.51

\$1.18

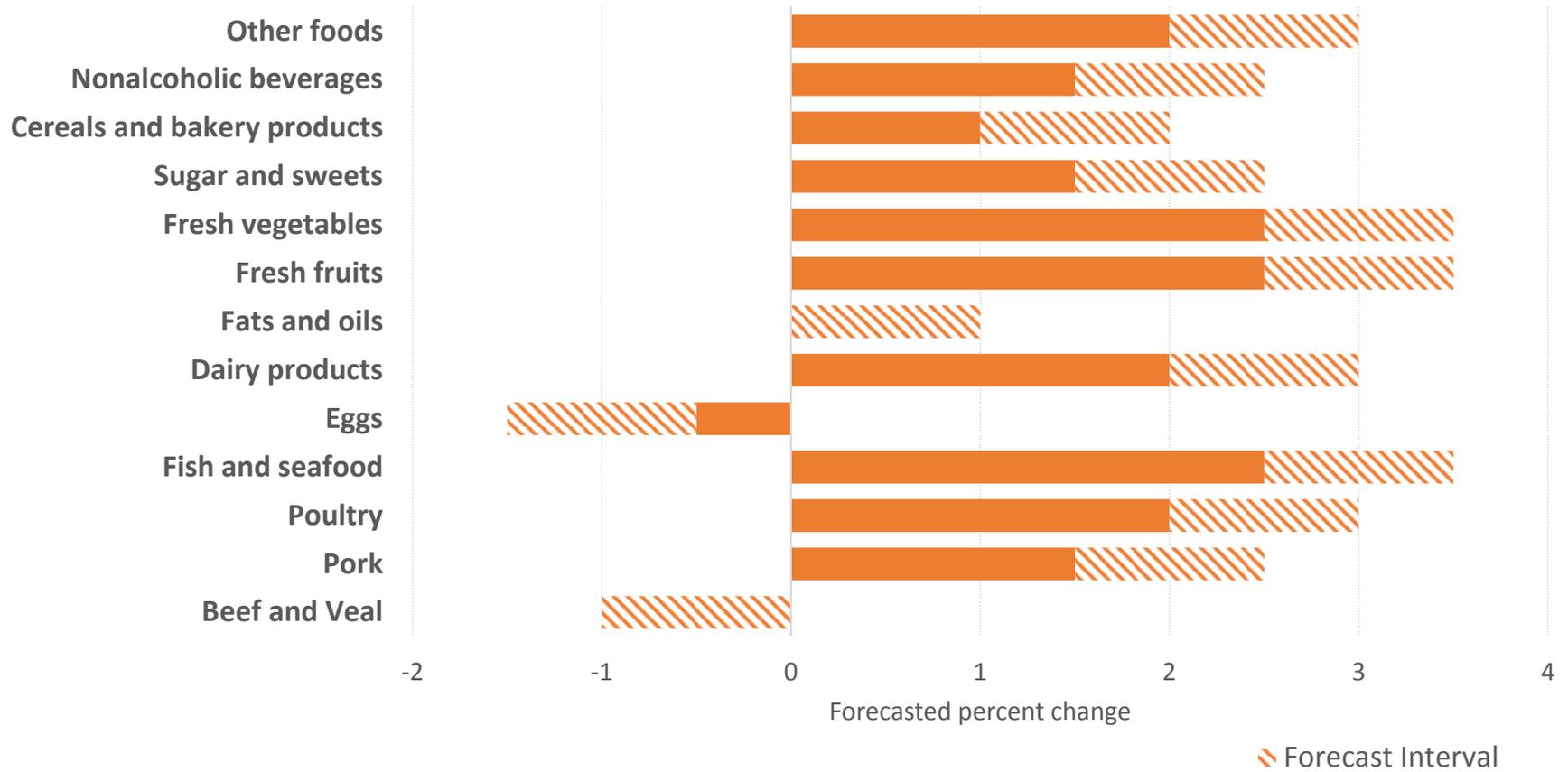
Source: USDA, Economic Research Service using data from the U.S. Bureau of Labor Statistics.



2016 RETAIL FOOD INFLATION NEAR HISTORICAL AVERAGE



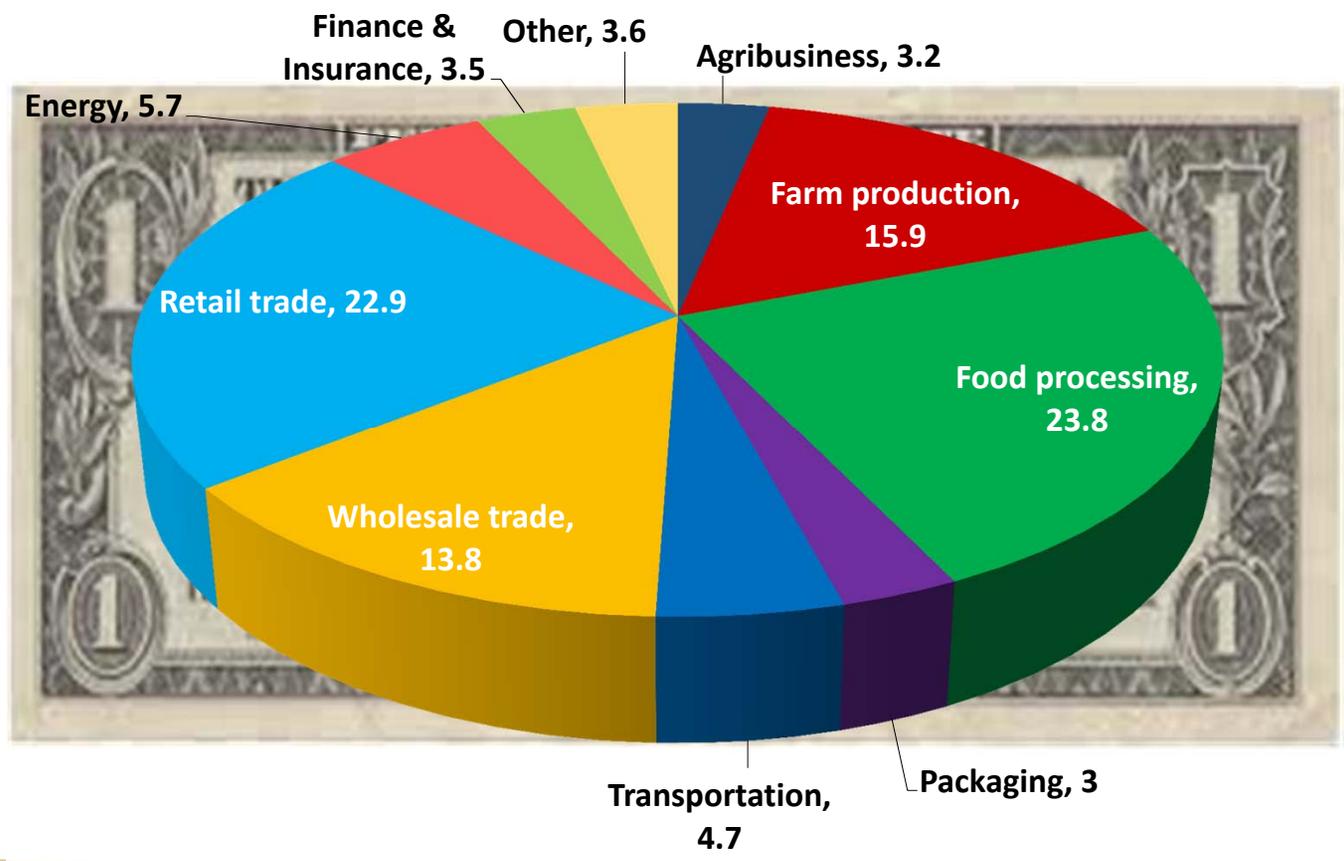
2016 FORECASTS, BY RETAIL FOOD CATEGORY



Source: USDA, Economic Research Service Food Price Outlook.



WHERE A FOOD DOLLAR GOES...



Source: USDA, Economic Research Service Food-At-Home Dollar Series, 2013

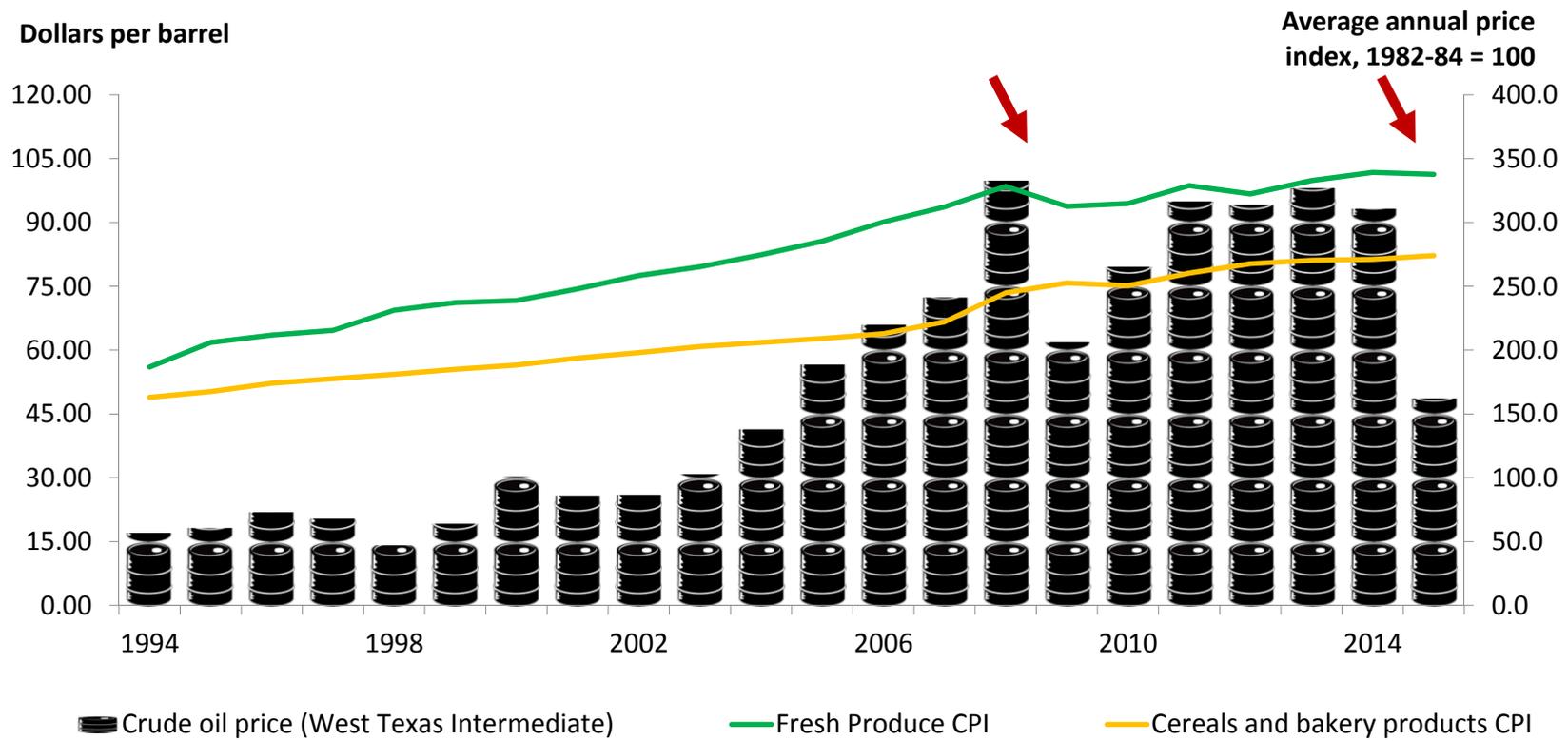


EXTERNAL FACTORS IMPACTING FOOD PRICES IN 2016

- Energy prices
 - The importance of energy prices depends on the food category
 - More important as processing and transportation costs increase in share
 - Diesel and electricity prices are key inputs to ERS CPI forecast models
- Drought
- Strength of U.S. dollar



CRUDE OIL PRICES AND FOOD PRICES



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



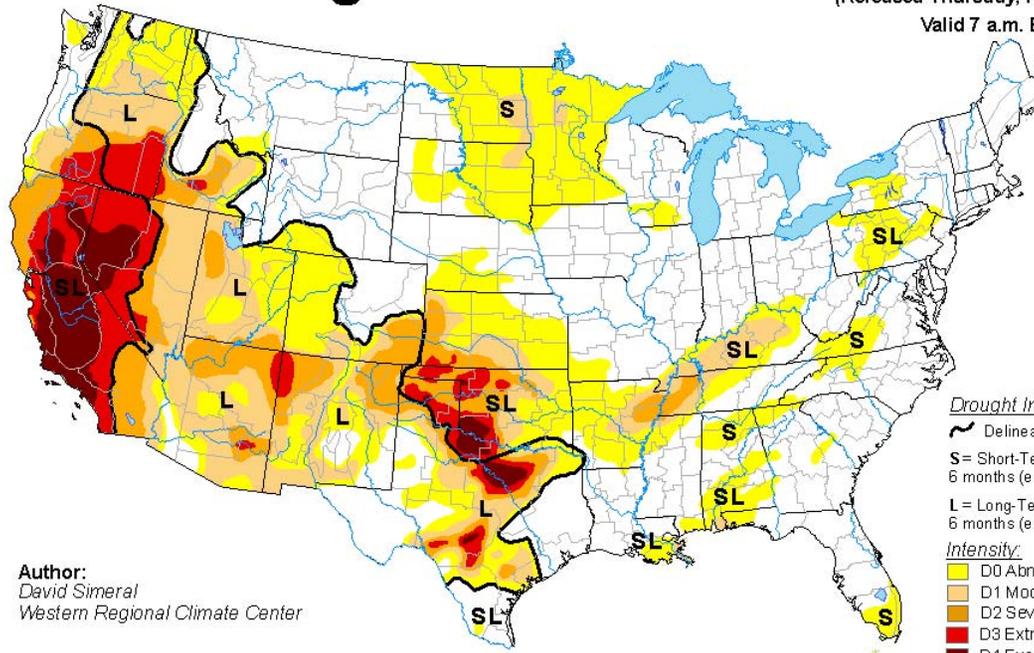
POTENTIAL FOR DROUGHT TO IMPACT FOOD PRICES

- CA drought impact on food prices
 - Potential to have long an lasting effects on fruit, vegetable, dairy, and egg prices
 - Length and severity is not yet realized
 - Crop decisions affect prices further down the line
- Drought conditions in Texas/Oklahoma impacted beef and veal prices, but have improved



U.S. Drought Monitor

February 10, 2015
 (Released Thursday, Feb. 12, 2015)
 Valid 7 a.m. EST



Author:
 David Simeral
 Western Regional Climate Center

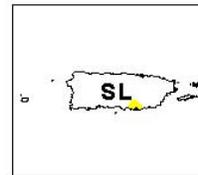
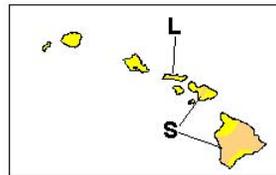
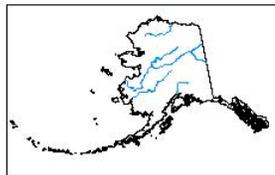
Drought Impact Types:

- 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.

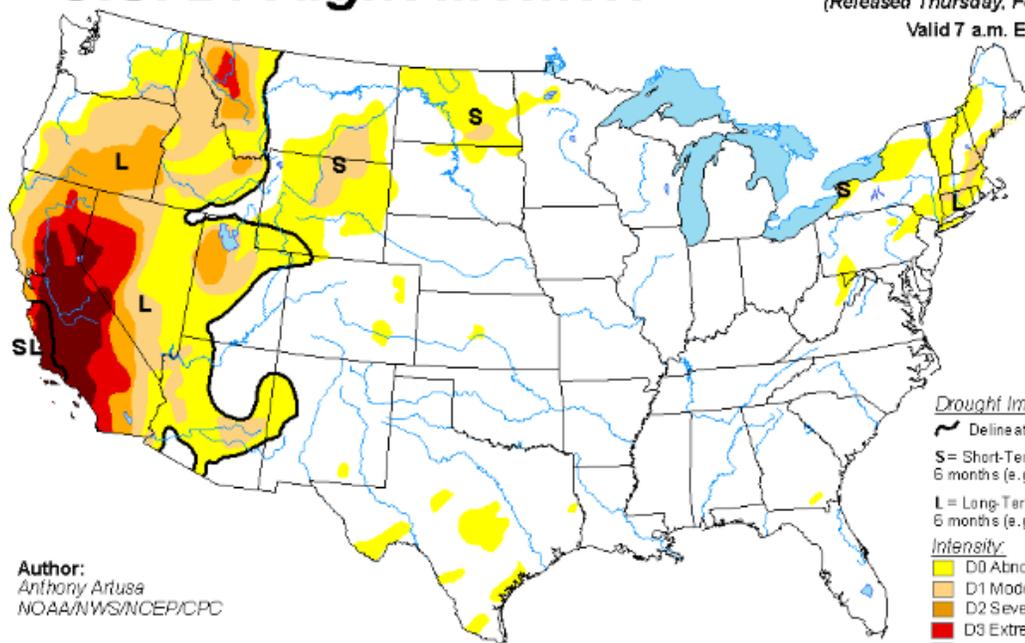


<http://droughtmonitor.unl.edu/>



U.S. Drought Monitor

February 9, 2016
 (Released Thursday, Feb. 11, 2016)
 Valid 7 a.m. EST



Author:
 Anthony Artusa
 NOAA/NWS/NCEP/CPC

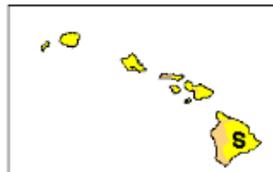
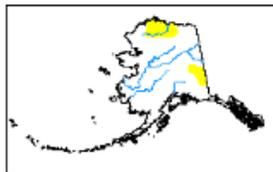
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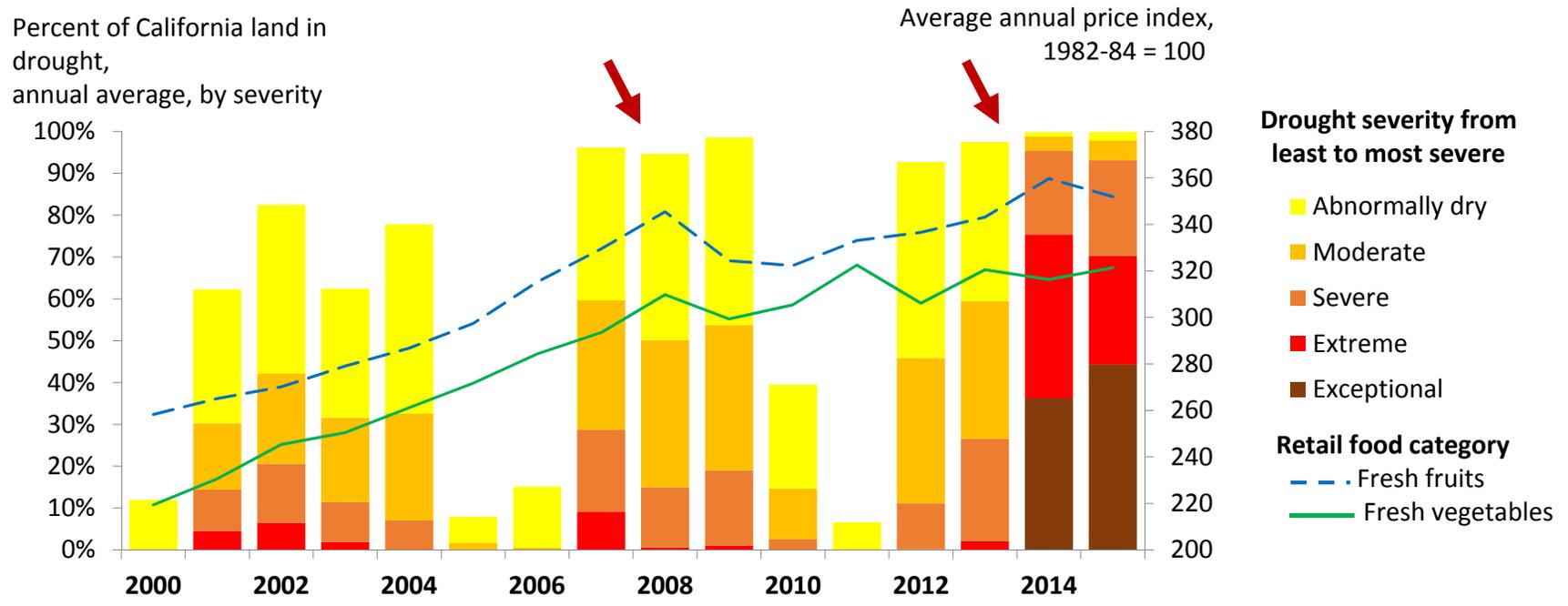
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<http://droughtmonitor.unl.edu/>



DROUGHT SEVERITY AND FOOD PRICES



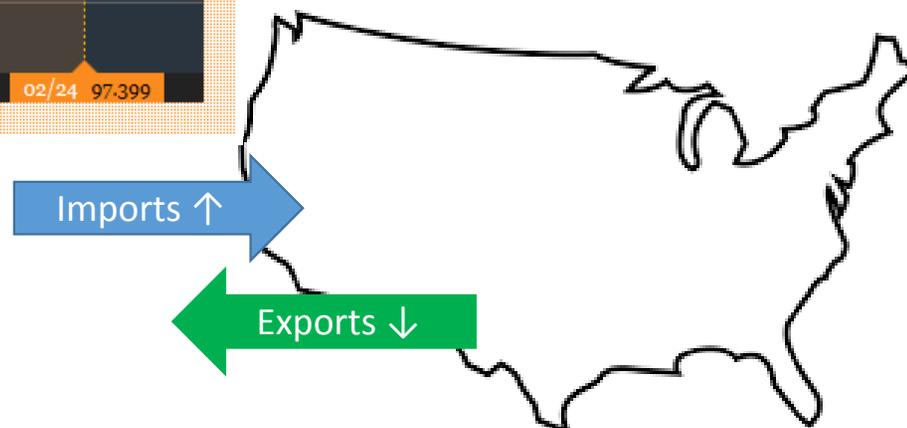
Source: USDA, Economic Research Service using data from The National Drought Mitigation Center and the U.S. Bureau of Labor Statistics.



STRENGTHENING U.S. DOLLAR



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



RETAIL FOODS TO WATCH IN 2016: FRESH PRODUCE



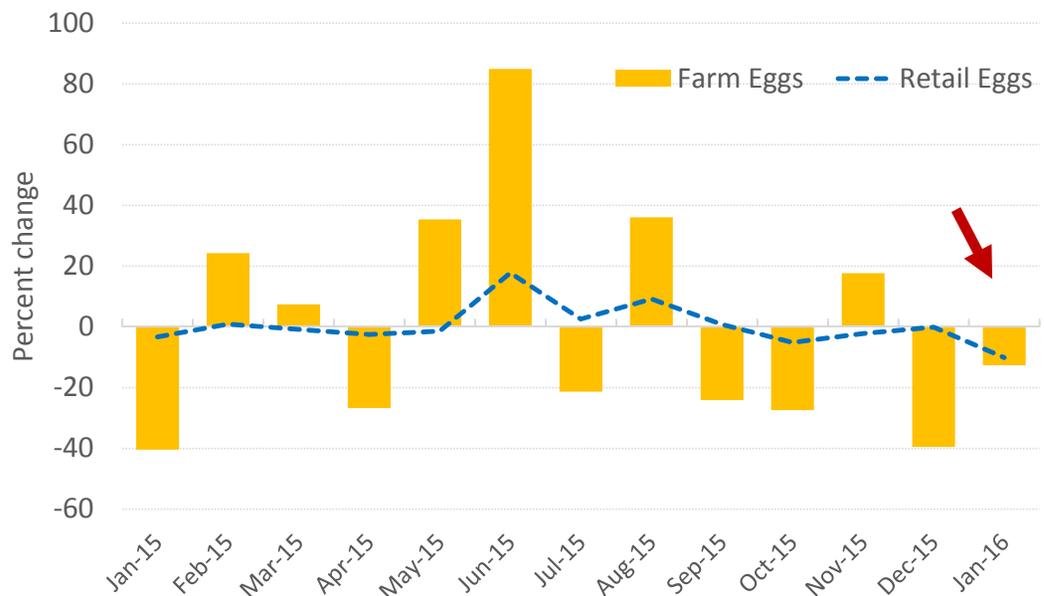
- Fresh fruit prices expected to increase 2.5 to 3.5 percent in 2016
- Fresh vegetable prices expected to increase between 2.5 and 3.5 percent in 2016



RETAIL FOODS TO WATCH IN 2016: EGGS

- Egg prices increase 17.8 in 2015
- Predicted to decrease 0.5 to 1.5 percent in 2016 as industry recovers from the Highly Pathogenic Avian Influenza (HPAI)

Change in PPI for Farm Eggs vs. CPI for Retail Eggs, Monthly

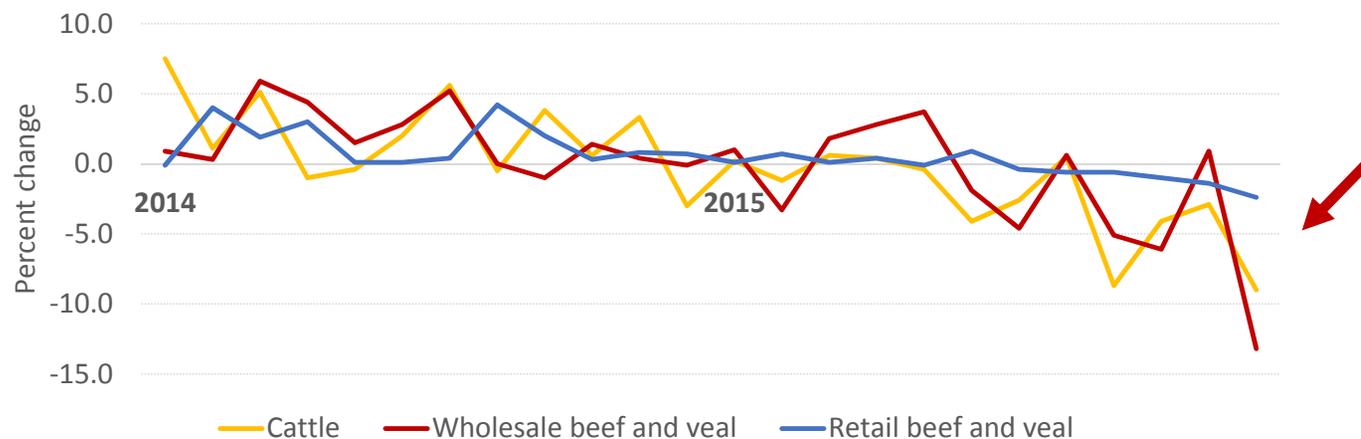


Source: USDA, Economic Research Service using data from the U.S. Bureau of Labor Statistics.



RETAIL FOODS TO WATCH IN 2016: BEEF AND VEAL

- Favorable pasture conditions in some areas and lower feed prices have allowed cattle producers to feed cattle longer and to hold cattle for herd expansion
- Beef and veal prices expected to decrease 0.0 to 1.0 percent in 2016



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



RETAIL FOODS TO WATCH IN 2016: DAIRY

- Dairy prices deflated 1.3 percent in 2015

CPI for Dairy and Related Products, monthly



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

- Dairy product prices to rise **2.0 to 3.0** percent in 2016



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

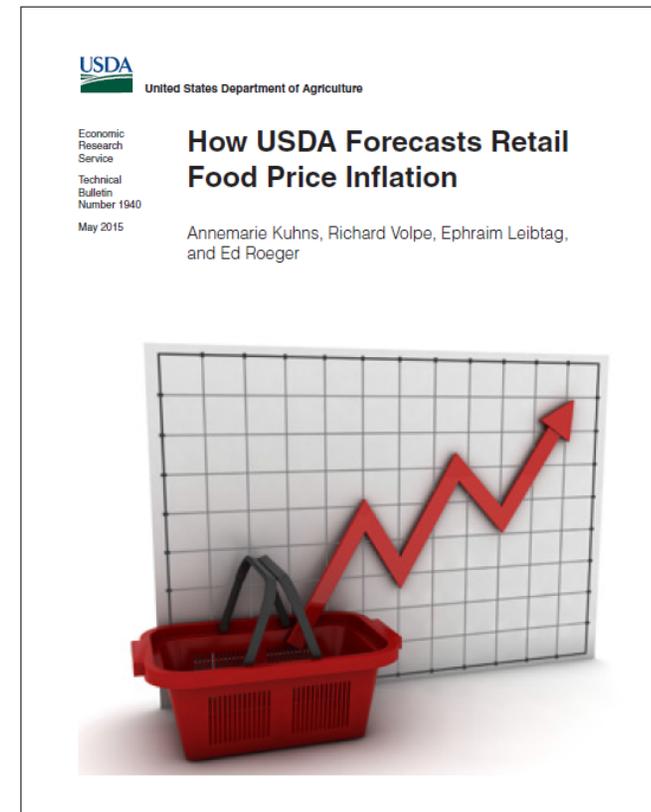
Available at:

<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.

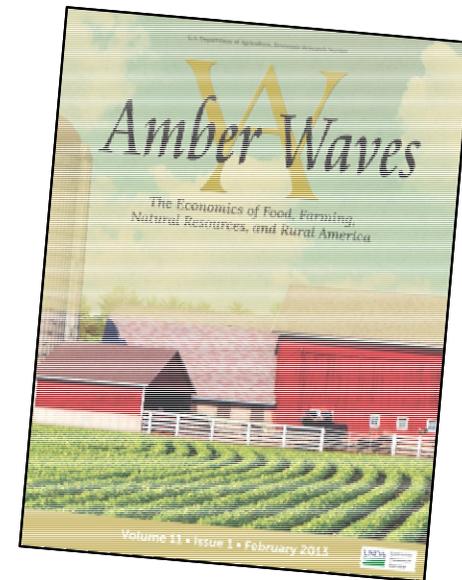


Amber Waves:

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>

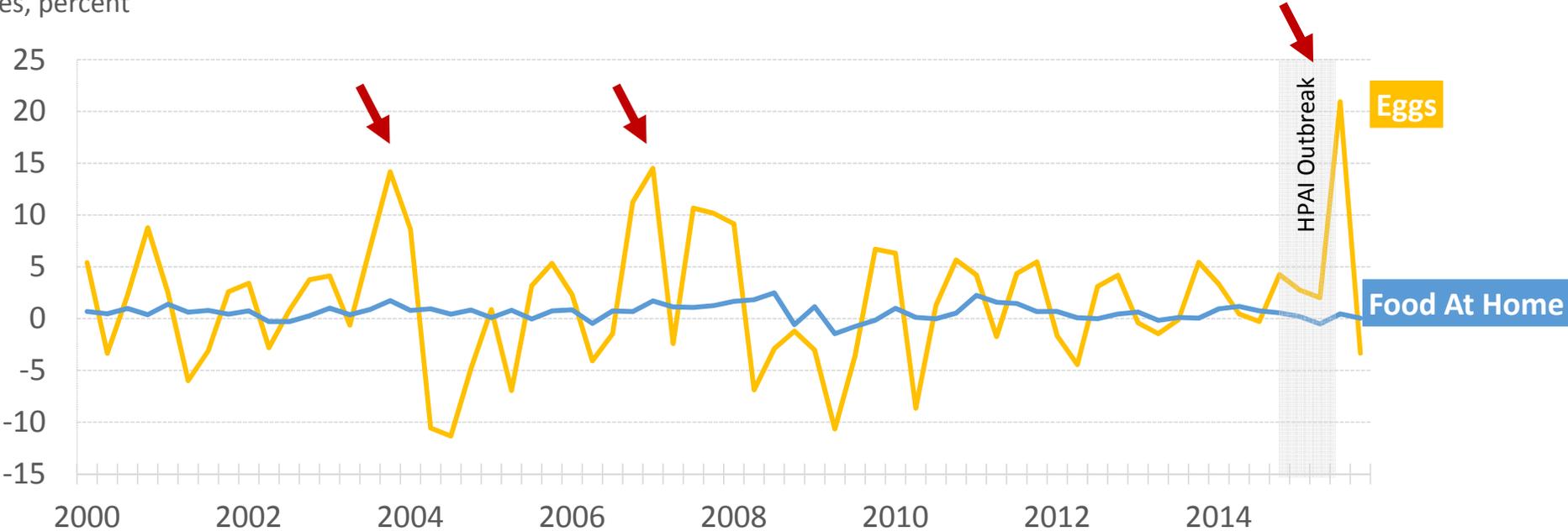
- IMF World Commodity Prices

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



RETAIL EGG PRICES ROSE 21 PERCENT IN THIRD QUARTER 2015

Quarterly changes in retail egg and food-at-home prices, percent



Note: HPAI = Highly Pathogenic Avian Influenza
Source: USDA, Economic Research Service using Bureau of Labor Statistics data.

