RETAIL FOOD PRICE OUTLOOK
2019 USDA Agricultural Outlook Forum
February 21, 2019

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USDA, Economic Research Service
SHARE OF U.S. HOUSEHOLD CONSUMER EXPENDITURES BY MAJOR CATEGORIES, 2017

- Housing 33.1%
- Transportation 15.9%
- Food 12.9%
- Other 3.7%
- Savings 3.1%
- Apparel 3.1%
- Education 2.5%
- Personal insurance, pension 11.3%
- Entertainment, alcoholic beverages 0.2%
- Healthcare 8.2%

Food expenditures are the third largest consumer spending category.

Note: "Other" includes personal care products, tobacco, and miscellaneous expenditures. The Consumer Expenditure Survey refers to medical care costs as "healthcare".

PERCENT CHANGE IN MAJOR CPI CATEGORIES, 2009-2018

Over the last 10 years, food prices have grown less than most major CPI categories, as food price inflation slowed over the last several years.

Annual change in food-at-home prices, 1999-2018

DESPITE INCREASE IN 2018, PRICE LEVELS STILL BELOW 2015

Food at Home Consumer Price Index

Index, base period
1982-84 = 100

243
242
241
240
239
238
237
236

2015 2016 2017 2018

Retail Food Price Inflation Varies by City


St. Louis had the highest rate of inflation at 1.7 percent.

Dallas had the lowest rate of inflation at 0.6 percent.

Note: the 10-year average was calculated by averaging the last 10 years of annual data (2008-2017) for each Metropolitan Statistical Area (city). This approach smooths out year-to-year noise.
**Prices, Selected Foods: 2017 vs 2018**

- **Ground beef, 100% beef, per lb.**
  - 2017: $3.64
  - 2018: $3.72
  - **Increase: $0.07 per pound**

- **Eggs, grade A, large, per doz.**
  - 2017: $1.47
  - 2018: $1.74
  - **Increase: $0.27 per dozen**

- **Bananas, per lb.**
  - 2017: $0.56
  - 2018: $0.57
  - **Increase: $0.01 per pound**

- **Lettuce, iceberg, per lb.**
  - 2017: $1.03
  - 2018: $0.94
  - **Savings: $0.09 per pound**

- **Milk, whole, per gallon**
  - 2017: $3.23
  - 2018: $2.90
  - **Savings: $0.33 per gallon**

Annual Percent Change in Food Prices by Category, 2018

Price Change by Major Food Category

Food category
- Dairy
- Pork
- Nonalcoholic beverages
- Other foods
- Fats and oils
- Poultry
- Sugars and sweets
- Cereals and bakery products
- Fresh fruits
- Fresh vegetables
- Beef and veal
- Fish and seafood
- Eggs

### Share of Spending by Category, 2017

<table>
<thead>
<tr>
<th>Category</th>
<th>Share of Spending</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food away from home</td>
<td>45.20%</td>
</tr>
<tr>
<td>Cereals and bakery products</td>
<td>7.20%</td>
</tr>
<tr>
<td>Nonalcoholic beverages</td>
<td>5.50%</td>
</tr>
<tr>
<td>Dairy products</td>
<td>5.50%</td>
</tr>
<tr>
<td>Beef and Veal</td>
<td>3.30%</td>
</tr>
<tr>
<td>Pork</td>
<td>2.30%</td>
</tr>
<tr>
<td>Fresh fruits</td>
<td>4.10%</td>
</tr>
<tr>
<td>Processed fruits &amp; vegetables</td>
<td>2.10%</td>
</tr>
<tr>
<td>Fish and seafood</td>
<td>1.90%</td>
</tr>
<tr>
<td>Fats and oils</td>
<td>1.60%</td>
</tr>
<tr>
<td>Fresh vegetables</td>
<td>3.50%</td>
</tr>
<tr>
<td>Sugar and sweets</td>
<td>2.10%</td>
</tr>
<tr>
<td>Other meats</td>
<td>1.60%</td>
</tr>
<tr>
<td>Eggs</td>
<td>0.70%</td>
</tr>
</tbody>
</table>

ANNUAL PERCENT CHANGE IN FOOD AT HOME AND FOOD AWAY FROM HOME CPIs, 1990-2018

GROWTH IN FOOD AT HOME VS FOOD AWAY FROM HOME CPI

Growth rates begin to diverge in 2009, when food away from home (restaurant) prices started growing at a faster rate.

WHERE A FOOD DOLLAR GOES...

Food at home vs food away from home dollar

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:
EXPECTED 2019 GROCERY STORE (FOOD AT HOME) INFLATION BELOW HISTORICAL AVERAGE

Food-at-home inflation, 2009-2019
Annual percent change


1.0 % to 2.0 %

2019 FORECASTS, BY RETAIL FOOD CATEGORY

Factors Moving Food Prices in 2019

- Production
- Energy prices
- Strength of U.S. dollar
ANNUAL PERCENT CHANGE IN U.S. PRICE, BY STAGE OF PRODUCTION

Percentage change

- PPI - Farm products
- PPI - Processed foodstuff and feedstuff
- CPI - All food

Year

U.S. MEAT PRODUCTION

Source: USDA, World Agricultural Supply and Demand Estimates.
U.S. Egg and Milk Production

**Egg**
- 2017: 8,700 million dozen
- 2018 Est.: 8,800 million dozen
- 2019 Proj.: 8,900 million dozen

**Milk**
- 2017: 213 billion pounds
- 2018 Est.: 214 billion pounds
- 2019 Proj.: 215 billion pounds

Source: USDA, World Agricultural Supply and Demand Estimates.
Oil Prices Expected to Decrease in 2019

Potential to change costs for:

• Transportation

• Food processing

• Retail overhead

Source: U.S. Energy Information Administration.
STRENGTH OF U.S. DOLLAR HOLDING STEADY

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

http://www.ers.usda.gov/AmerWaves/
THANK YOU!

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REAL VS. NOMINAL FOOD AT HOME INFLATION

Index (1998 = 100)

Nominal Food At Home
Real Food At Home

THE INDUSTRY GROUP VALUE-ADDED SHARES OF THE U.S. FOOD DOLLAR

2016 Food at Home Dollar

- Agribusiness and farm production, $0.16
- Food processing and packaging, $0.28
- Retail trade, $0.23
- Wholesale trade, $0.15
- Other, $0.12
- Transportation, $0.06

Note: Other includes: foodservices, advertising, legal and accounting, finance and insurance, and energy

## U.S. Pass-Through Percentages and Times

<table>
<thead>
<tr>
<th>Retail Category</th>
<th>Time to Pass Through (Months)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beef</td>
<td>1 to 2</td>
</tr>
<tr>
<td>Pork</td>
<td>1 to 3</td>
</tr>
<tr>
<td>Poultry</td>
<td>1 to 2</td>
</tr>
<tr>
<td>Eggs</td>
<td>3 to 5</td>
</tr>
<tr>
<td>Milk</td>
<td>1 to 5</td>
</tr>
<tr>
<td>Bread</td>
<td>1 to 6</td>
</tr>
<tr>
<td>Oranges</td>
<td>1 to 2</td>
</tr>
<tr>
<td>Lettuce</td>
<td>1 to 2</td>
</tr>
</tbody>
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