



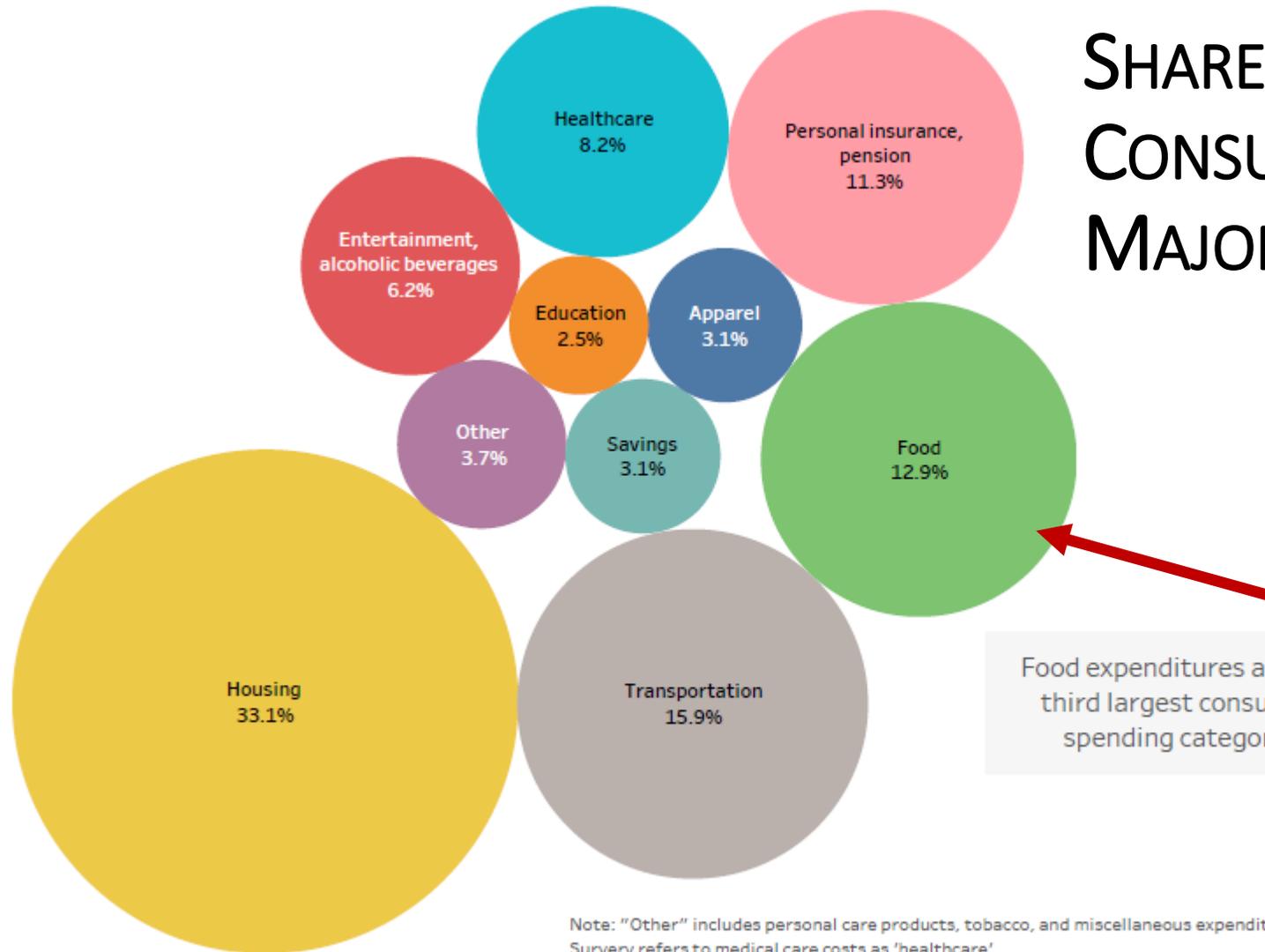
RETAIL FOOD PRICE OUTLOOK

2019 USDA Agricultural Outlook Forum

February 21, 2019

Annemarie Kuhns
USDA, Economic Research Service

SHARE OF U.S. HOUSEHOLD CONSUMER EXPENDITURES BY MAJOR CATEGORIES, 2017

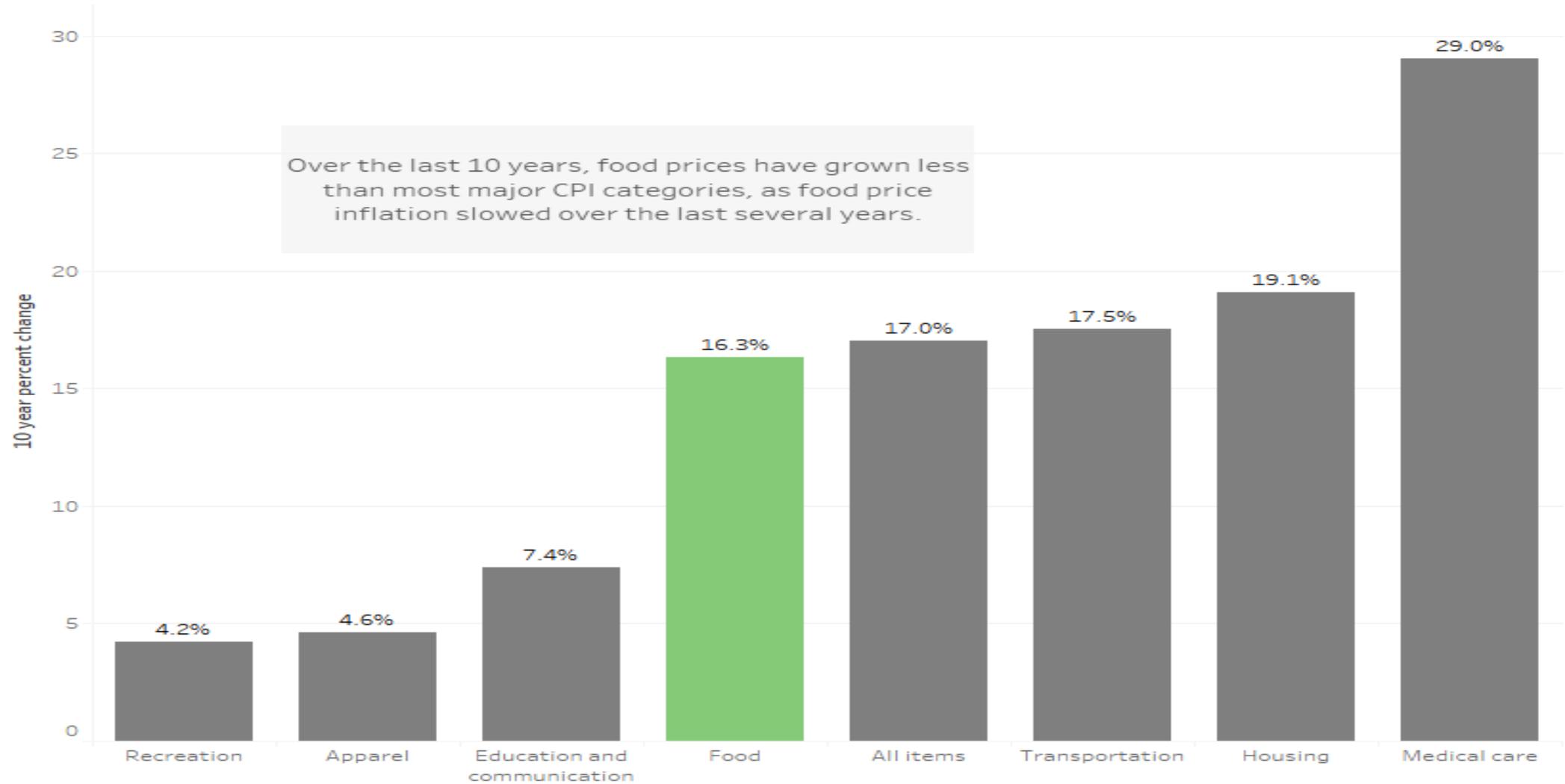


Food expenditures are the third largest consumer spending category.

Note: "Other" includes personal care products, tobacco, and miscellaneous expenditures. The Consumer Expenditure Survey refers to medical care costs as 'healthcare'.
Source: USDA, Economic Research Service using Consumer Expenditure Survey data from the U.S. Bureau of Labor Statistics.



PERCENT CHANGE IN MAJOR CPI CATEGORIES, 2009-2018

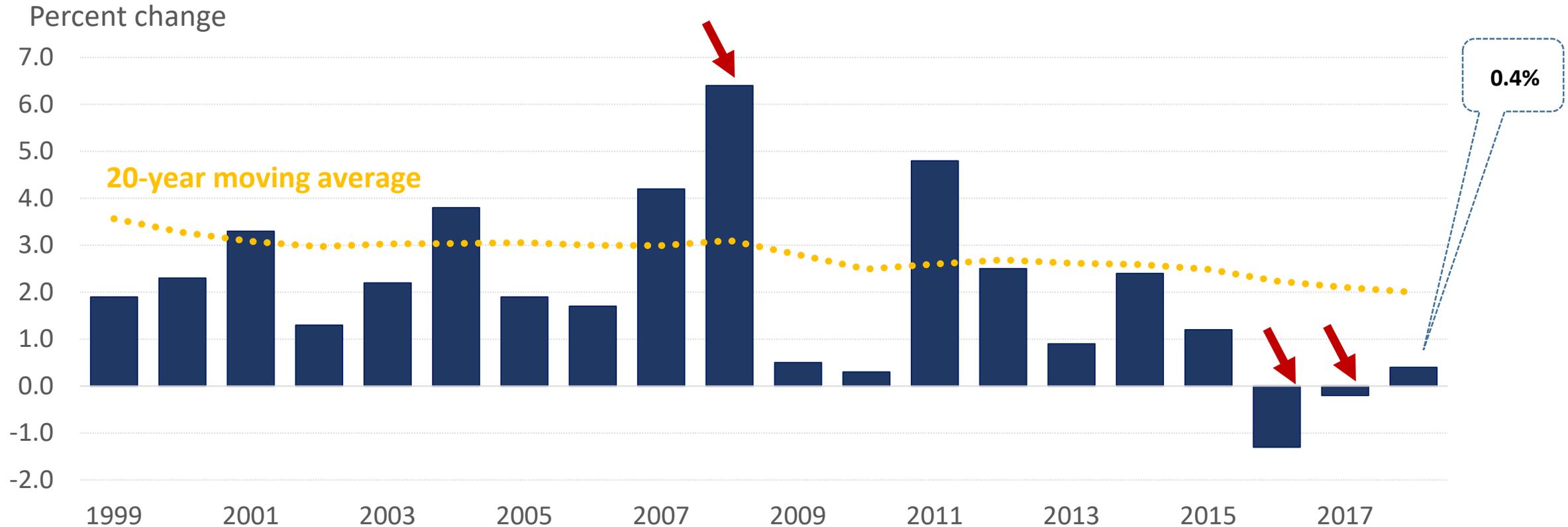


Source: USDA, Economic Research Service using data from the U.S. Bureau of Labor Statistics.



RETAIL FOOD AT HOME PRICES ROSE FOR FIRST TIME IN 3 YEARS

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



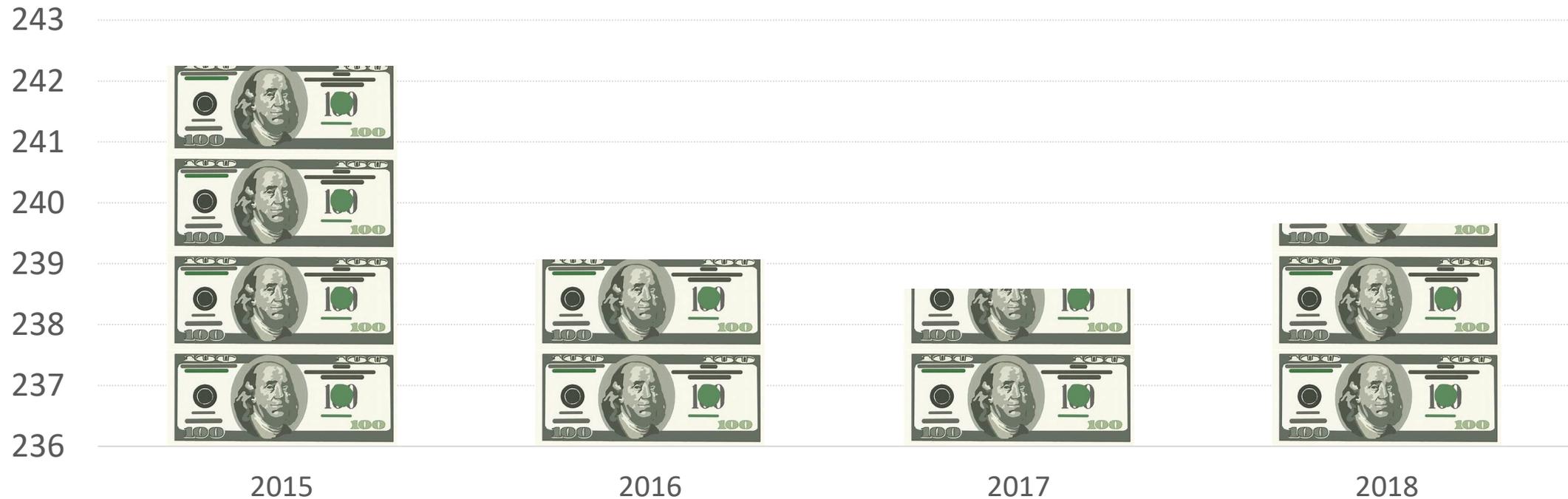
Source: USDA, Economic Research Service using data from the U.S. Bureau of Labor Statistics' Consumer Price Index.



DESPITE INCREASE IN 2018, PRICE LEVELS STILL BELOW 2015

Food at Home Consumer Price Index

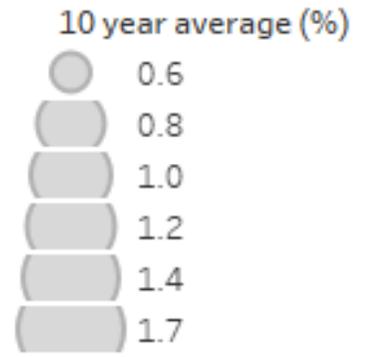
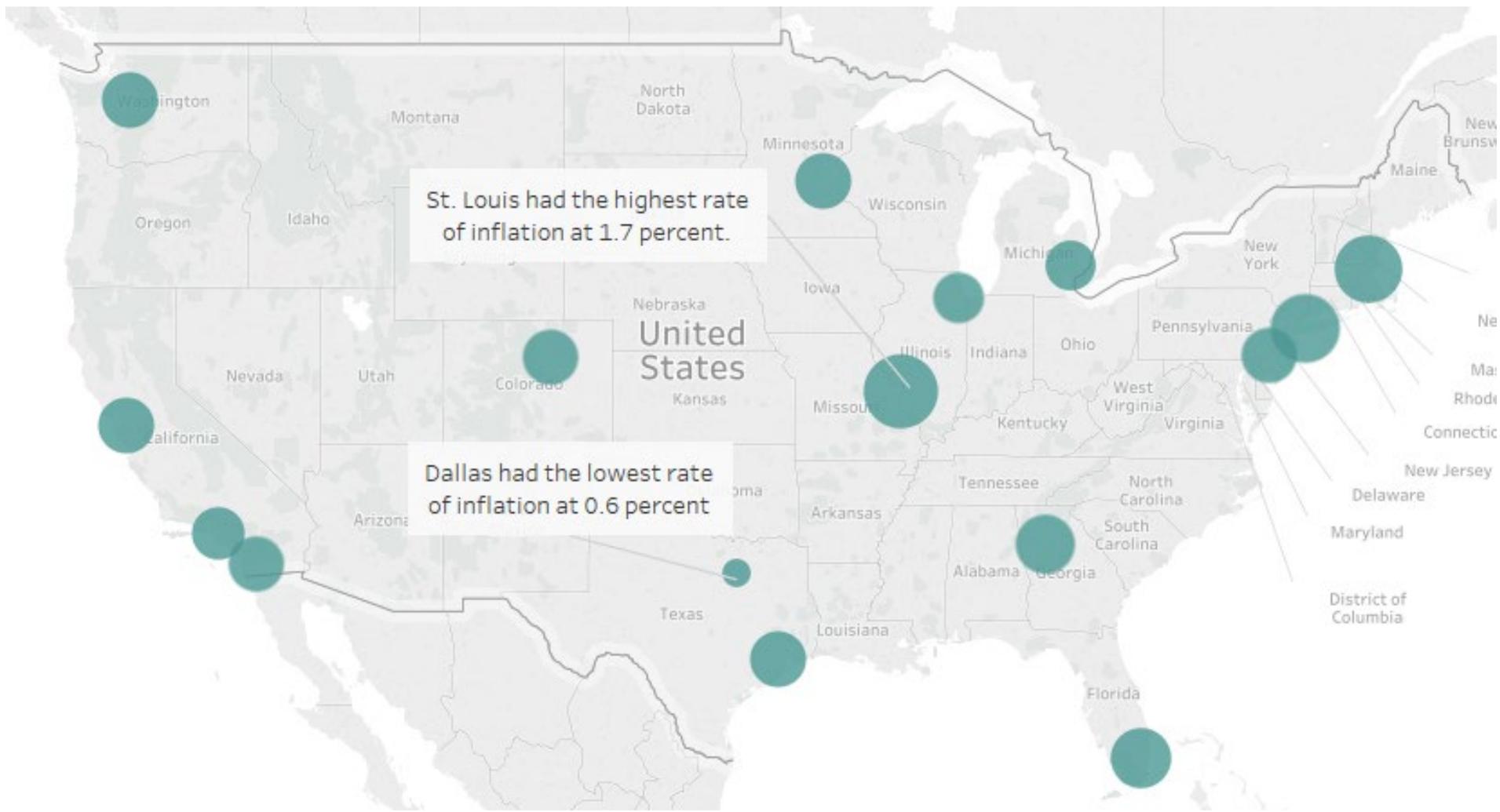
Index, base period
1982-84 = 100



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



RETAIL FOOD PRICE INFLATION VARIES BY CITY



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.

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



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

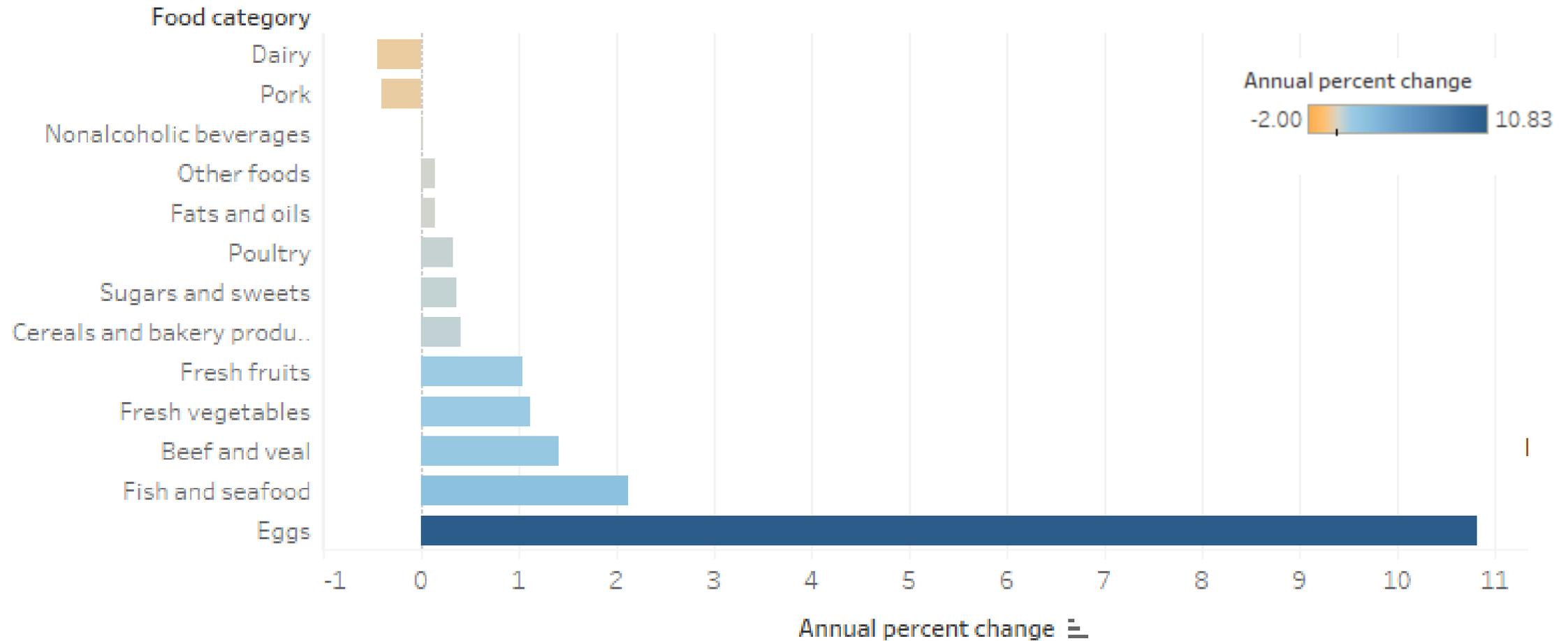
Savings: \$0.33 per
gallon

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



ANNUAL PERCENT CHANGE IN FOOD PRICES BY CATEGORY, 2018

Price Change by Major Food Category



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



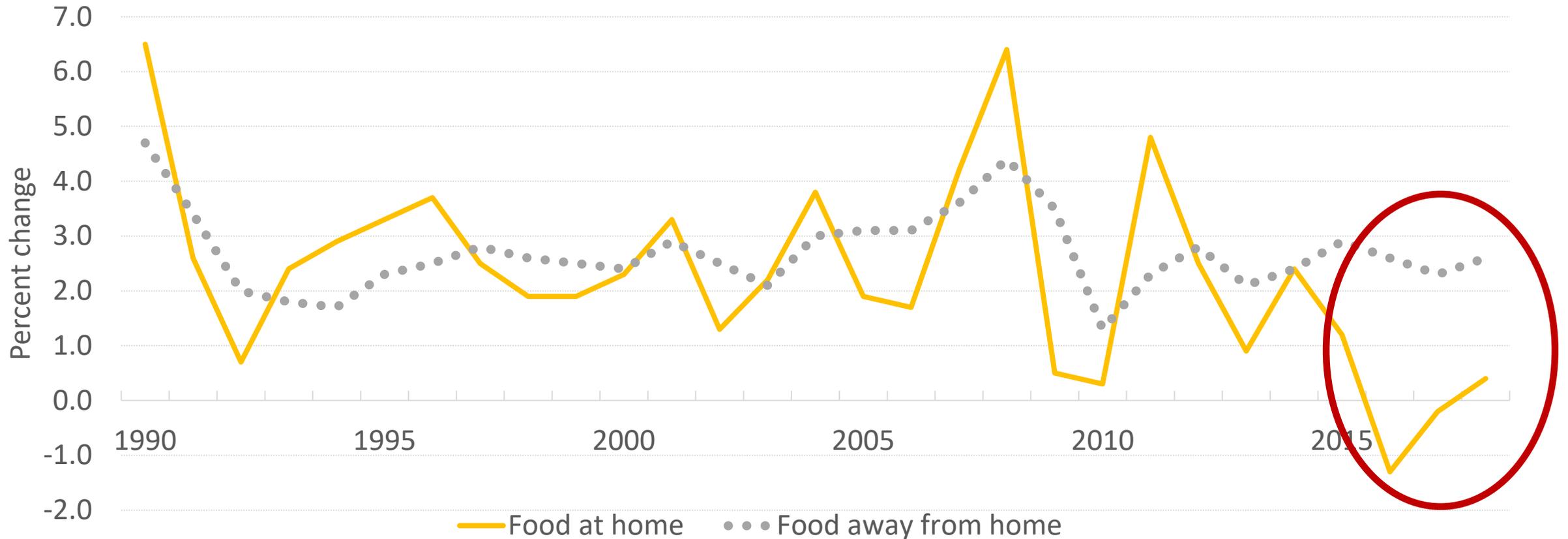
SHARE OF SPENDING BY CATEGORY, 2017



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



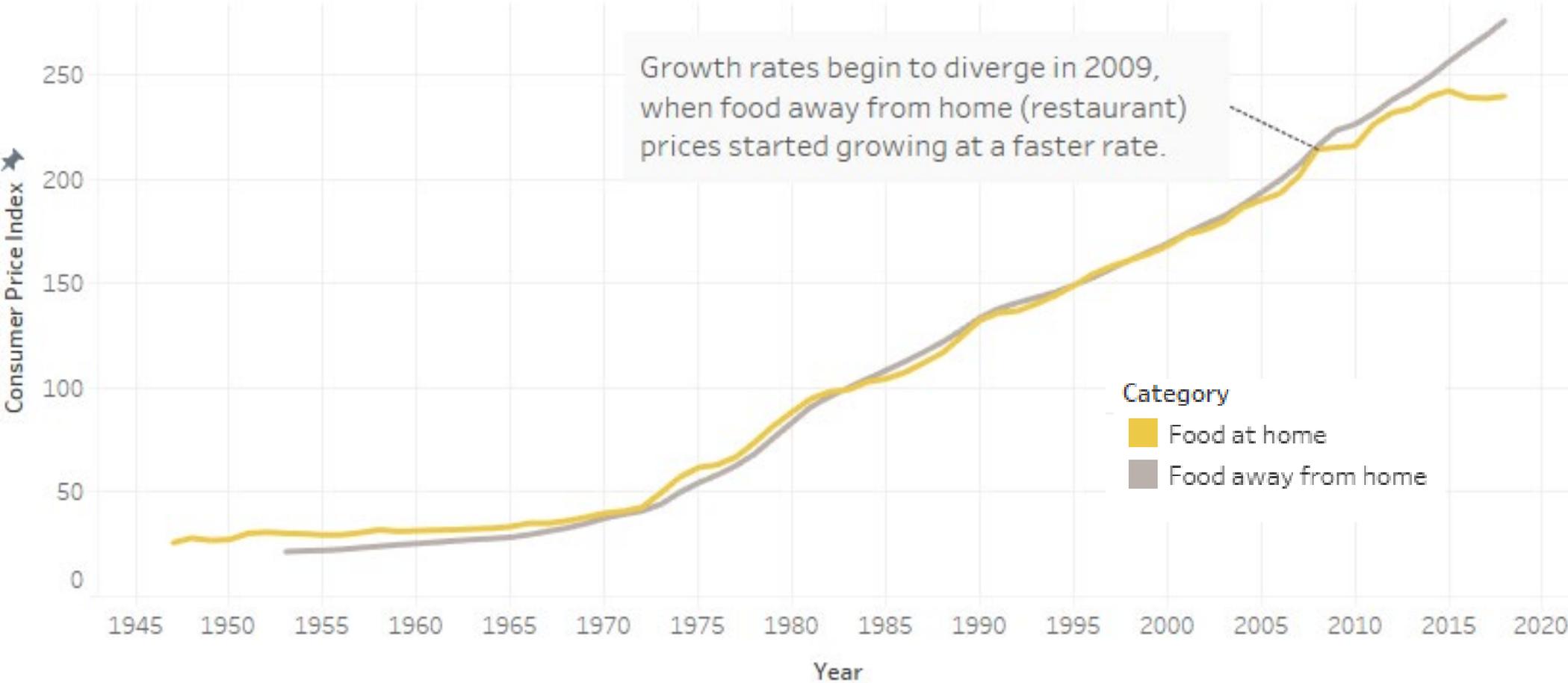
ANNUAL PERCENT CHANGE IN FOOD AT HOME AND FOOD AWAY FROM HOME CPIs, 1990-2018



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



GROWTH IN FOOD AT HOME VS FOOD AWAY FROM HOME CPI

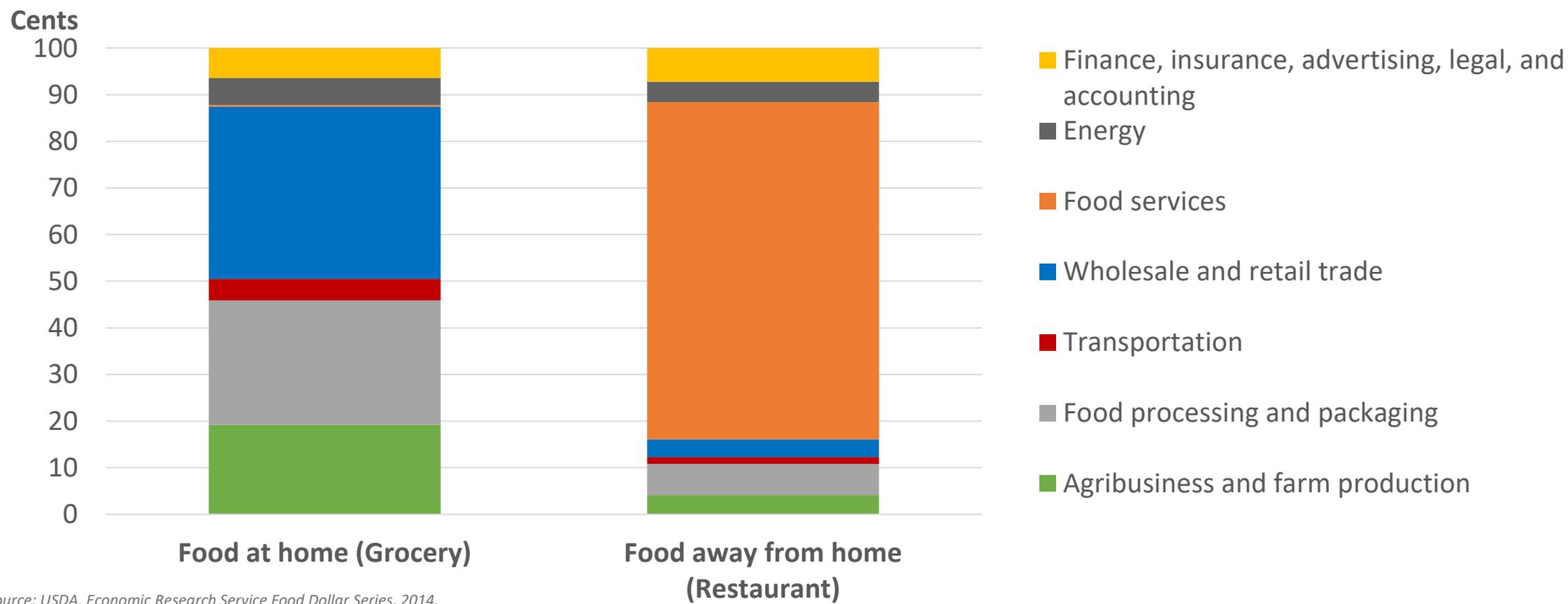


Source: USDA, Economic Research Service using Bureau of Labor Statistics data.



WHERE A FOOD DOLLAR GOES...

Food at home vs food away from home dollar



Source: USDA, Economic Research Service Food Dollar Series, 2014.



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:

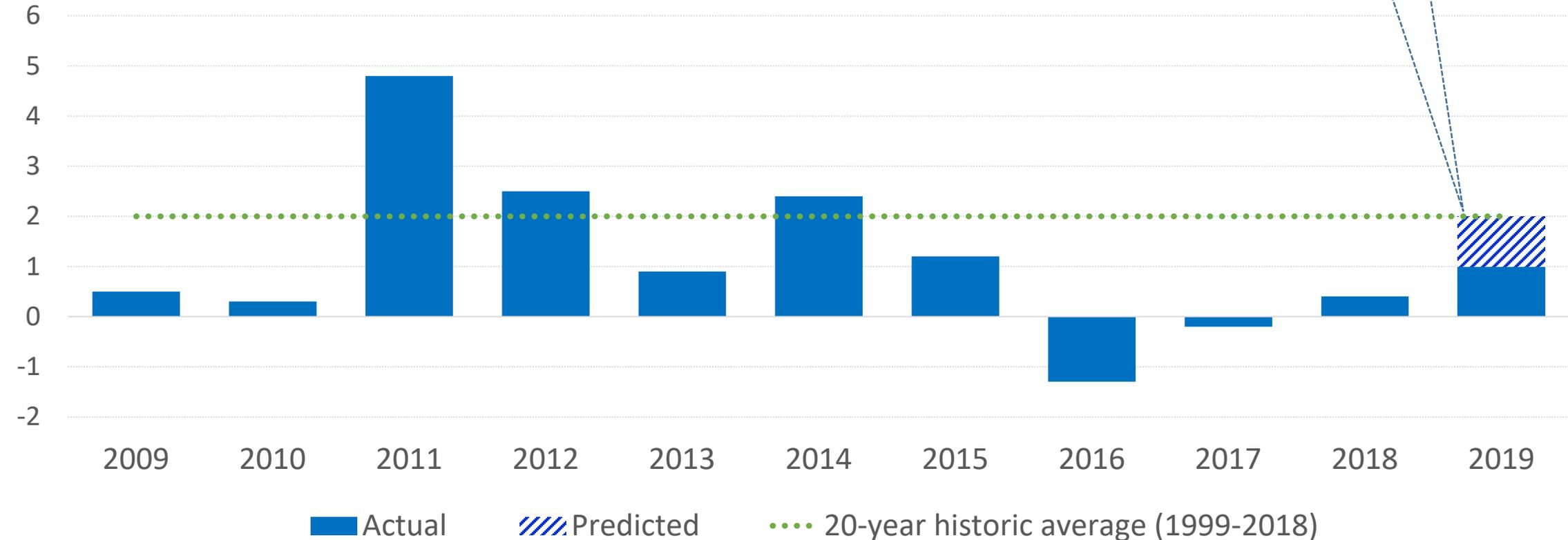
<http://www.ers.usda.gov/data-products/food-price-outlook.aspx>



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

Food-at-home inflation, 2009-2019

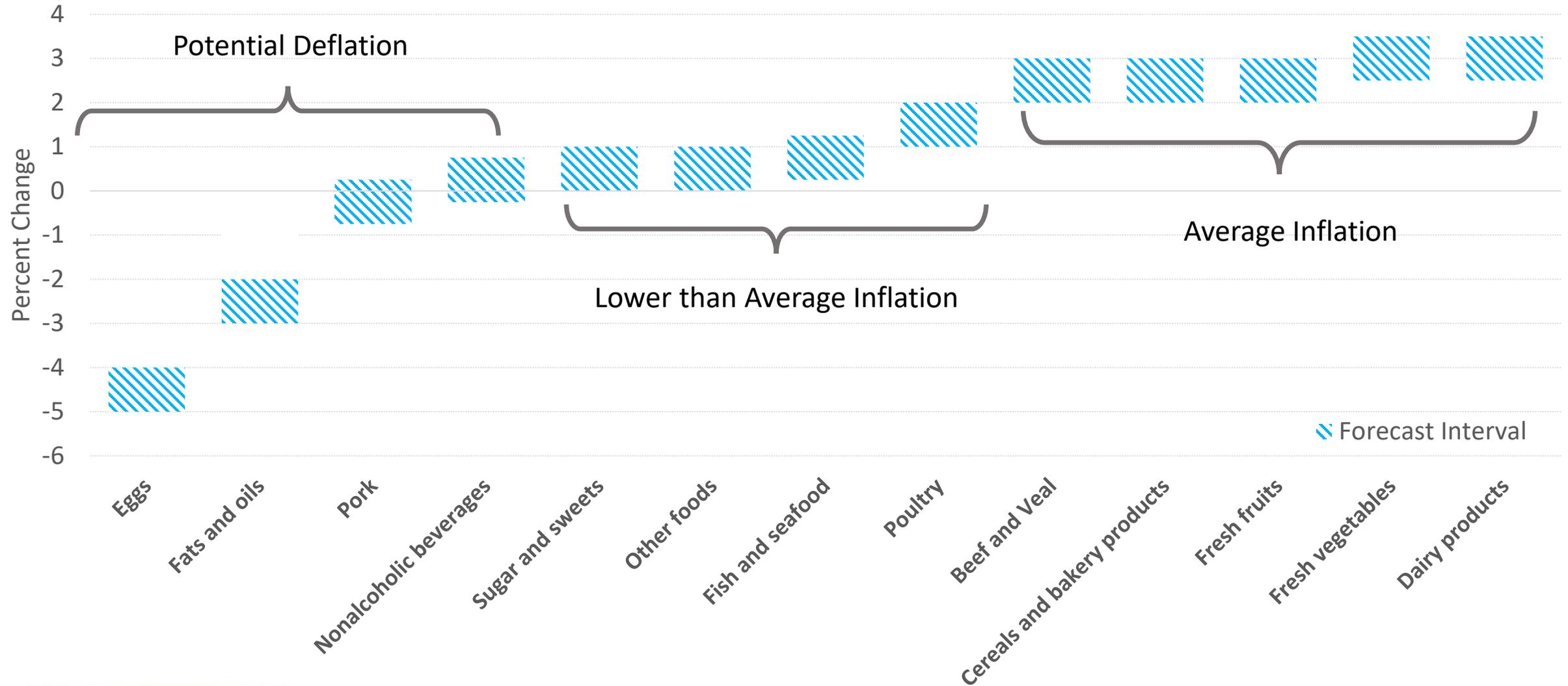
Annual percent change



Source: USDA, Economic Research Service Food Price Outlook.



2019 FORECASTS, BY RETAIL FOOD CATEGORY



Source: USDA, Economic Research Service Food Price Outlook.



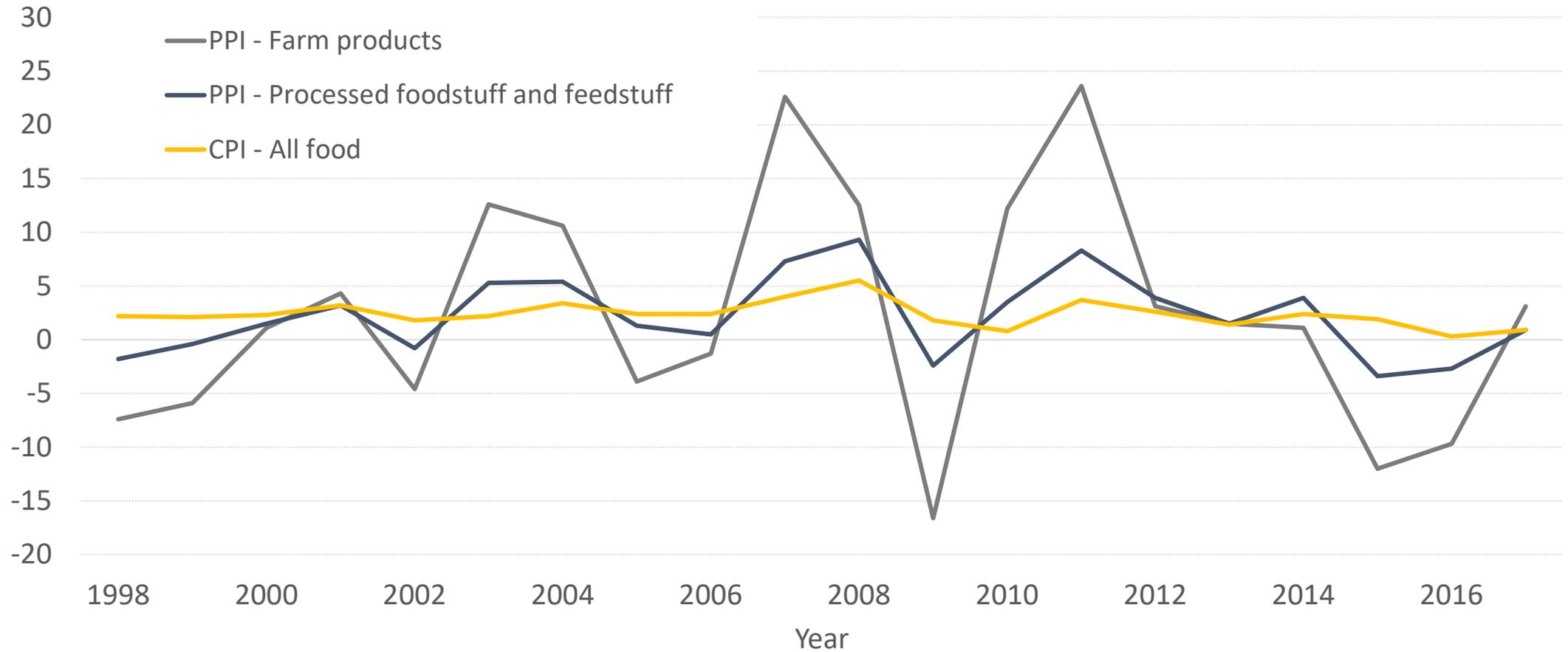
FACTORS MOVING FOOD PRICES IN 2019

- Production
- Energy prices
- Strength of U.S. dollar



ANNUAL PERCENT CHANGE IN U.S. PRICE, BY STAGE OF PRODUCTION

Percentage change



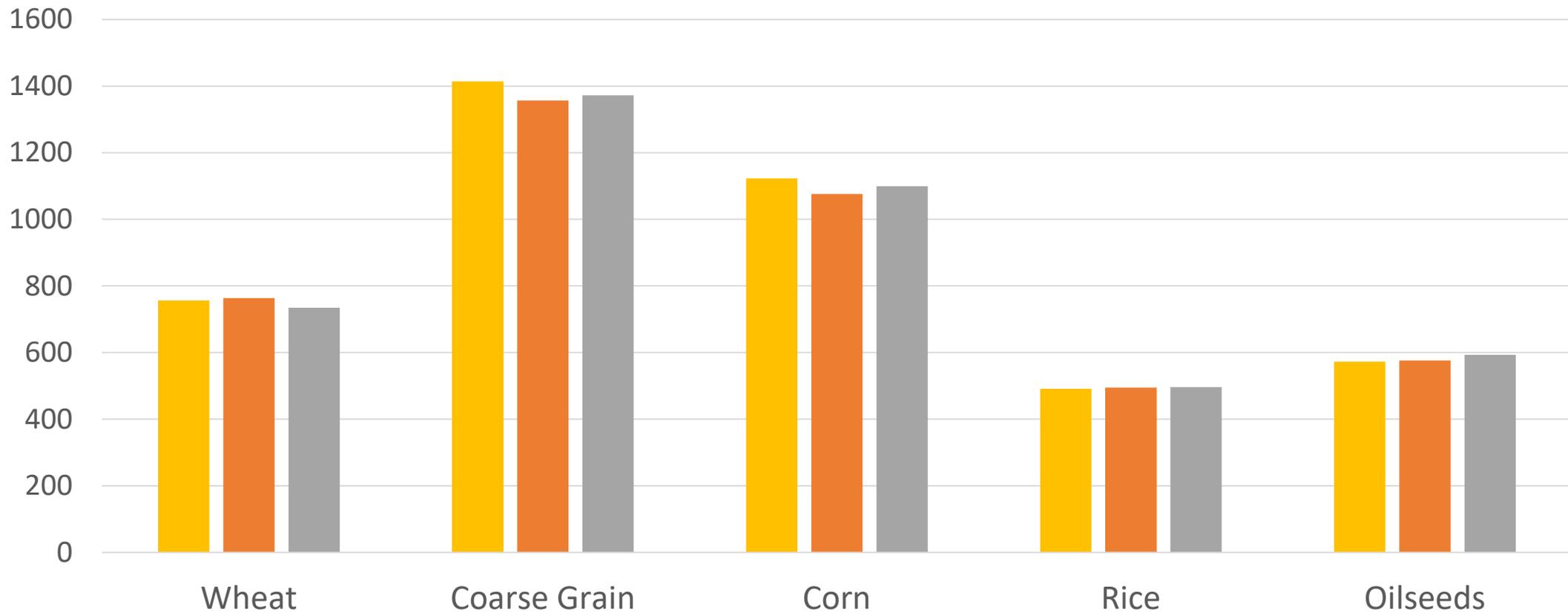
Source: USDA, Economic Research Service using Bureau of Labor Statistics data.



WORLD COMMODITY PRODUCTION

Metric Million Tons

2016/17 2017/18 Est. 2018/19 Proj.

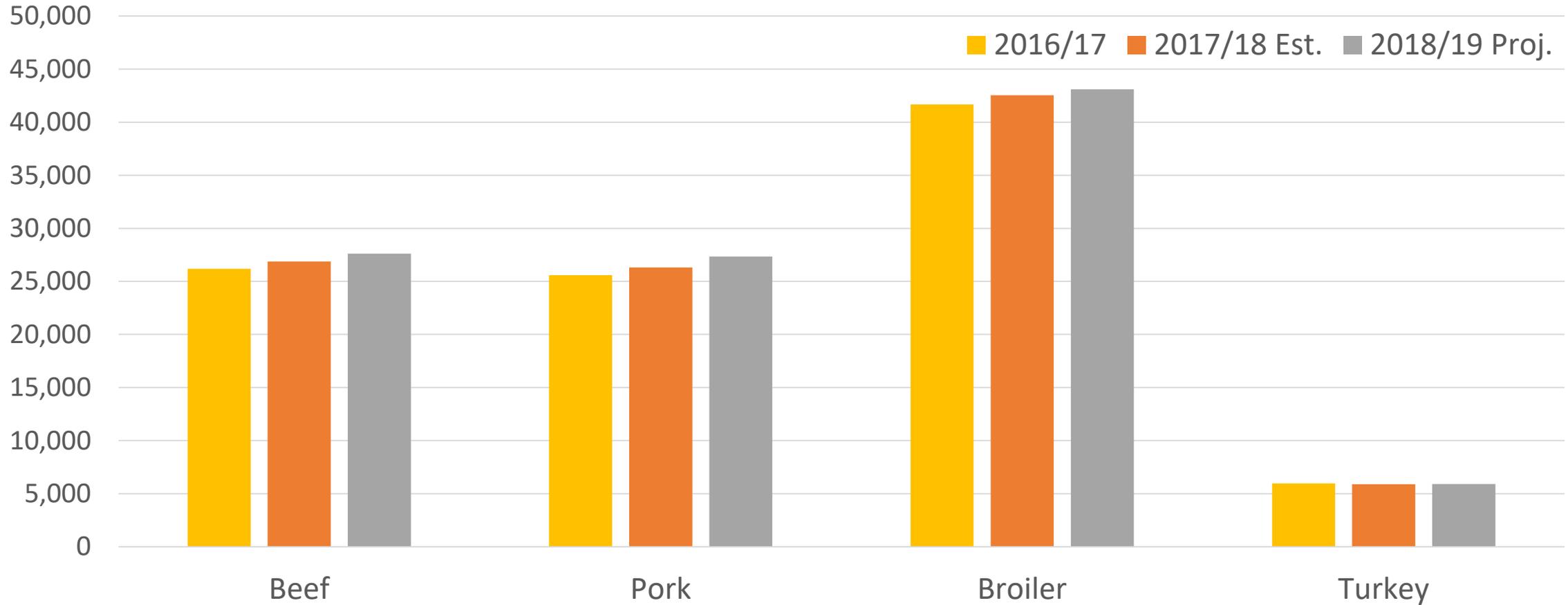


Source: USDA, World Agricultural Supply and Demand Estimates.

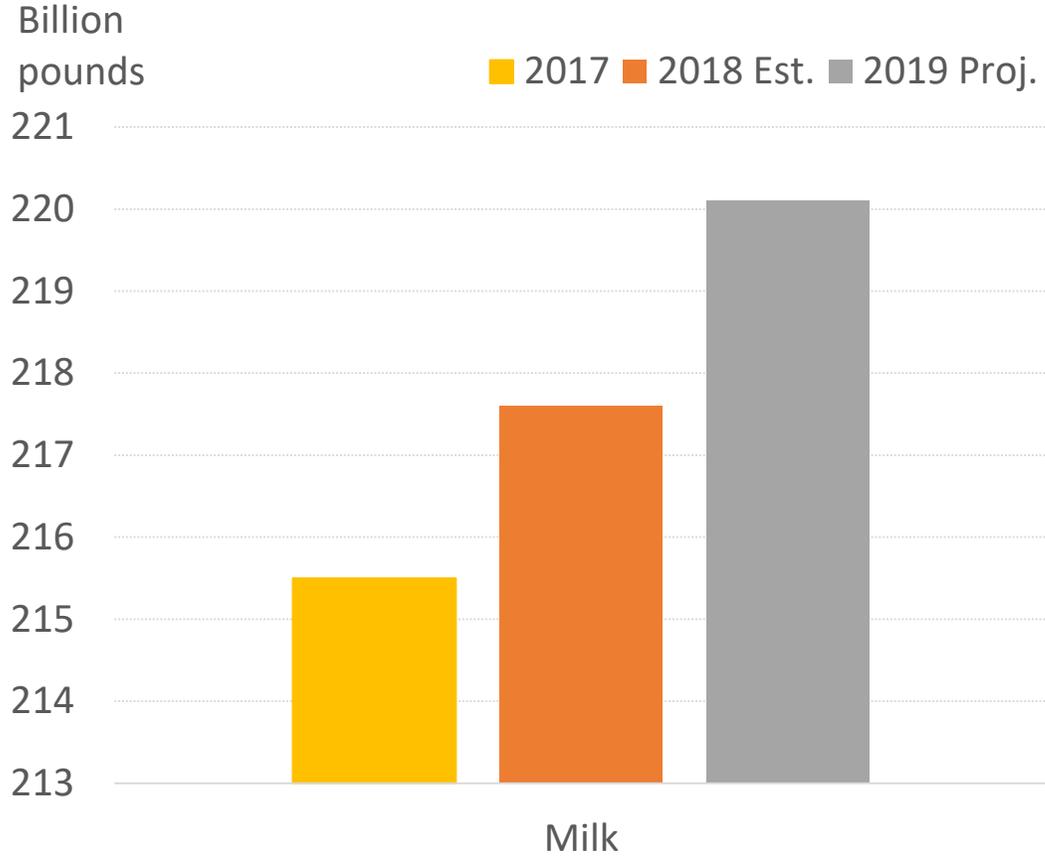
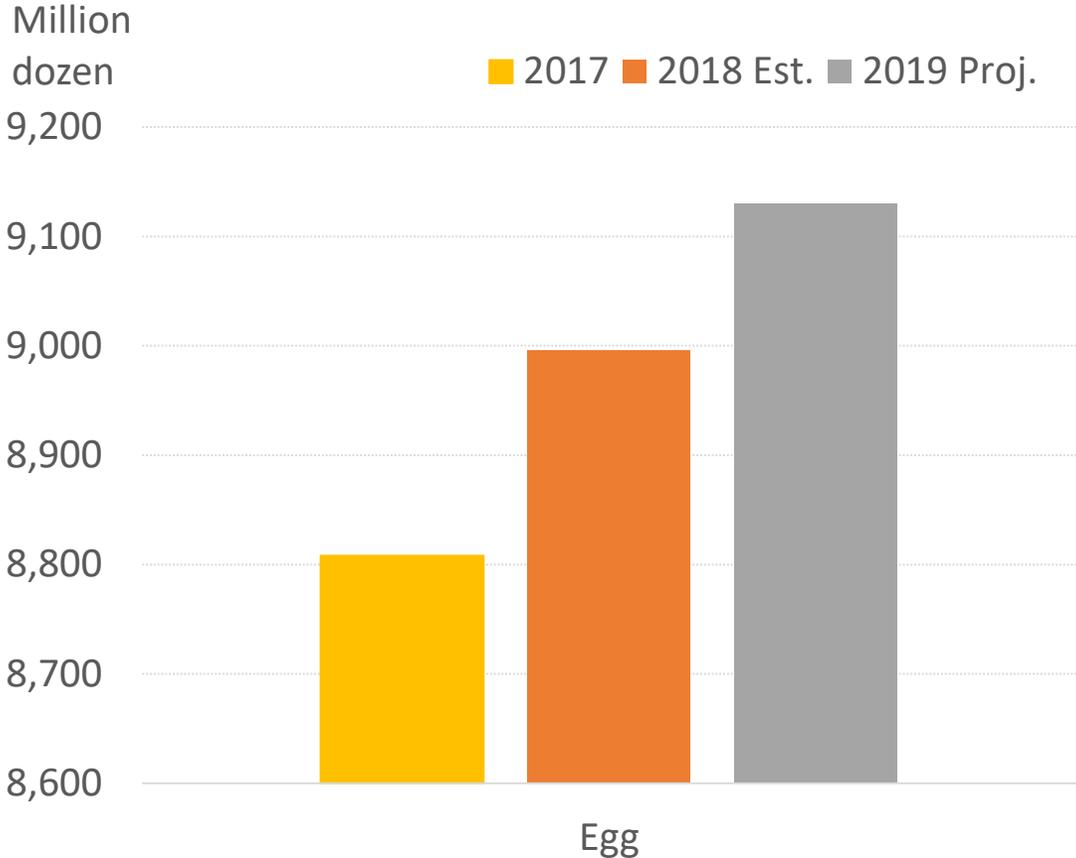


U.S. MEAT PRODUCTION

Million Pounds



U.S. EGG AND MILK PRODUCTION



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

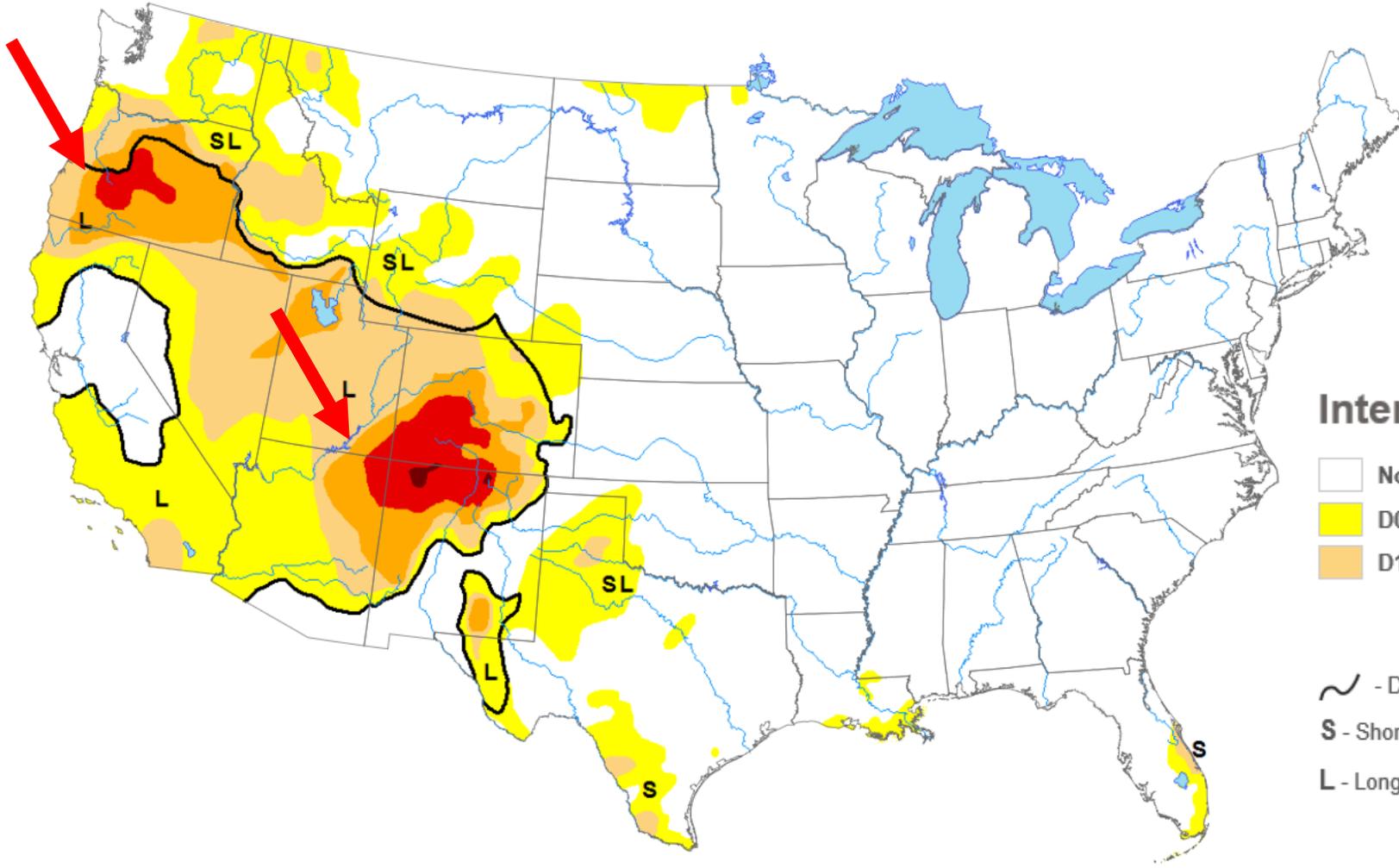
Price Summary				
	2017	2018	2019	2020
WTI Crude Oil ^a (dollars per barrel)	50.79	65.06	54.79	58.00
Brent Crude Oil (dollars per barrel)	54.15	71.19	61.03	62.00
Gasoline ^b (dollars per gallon)	2.42	2.73	2.47	2.56
Diesel ^c (dollars per gallon)	2.65	3.18	2.95	3.15
Heating Oil ^d (dollars per gallon)	2.51	3.02	2.86	2.99
Natural Gas ^d (dollars per thousand cubic feet)	10.86	10.50	10.79	10.92
Electricity ^d (cents per kilowatthour)	12.89	12.91	13.25	13.45

^aWest Texas Intermediate.
^bAverage regular pump price.
^cOn-highway retail.
^dU.S. Residential average.

Source: U.S. Energy Information Administration.



U.S. DROUGHT MONITOR – FEBRUARY 14, 2019



Intensity and Impacts

- None
- D0 (Abnormally Dry)
- D1 (Moderate Drought)
- D2 (Severe Drought)
- D3 (Extreme Drought)
- D4 (Exceptional Drought)

- Delineates dominant impacts
- S** - Short-Term impacts, typically less than 6 months (e.g. agriculture, grasslands)
- L** - Long-Term impacts, typically greater than 6 months (e.g. hydrology, ecology)

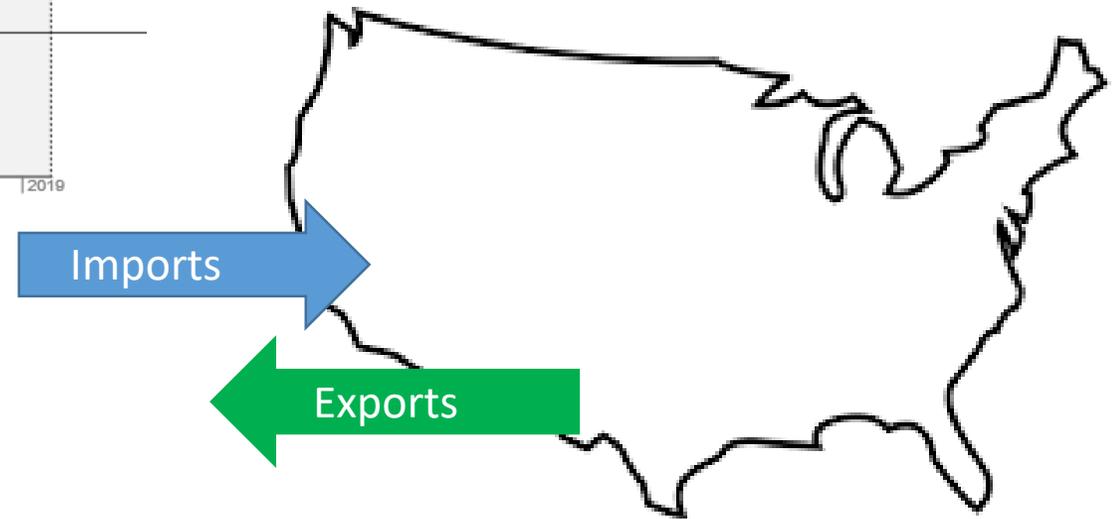
Source: USDA, US Drought Monitor, Feb. 2019



STRENGTH OF U.S. DOLLAR HOLDING STEADY



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



PUBLICATION ON FOOD PRICE FORECASTING METHODOLOGY

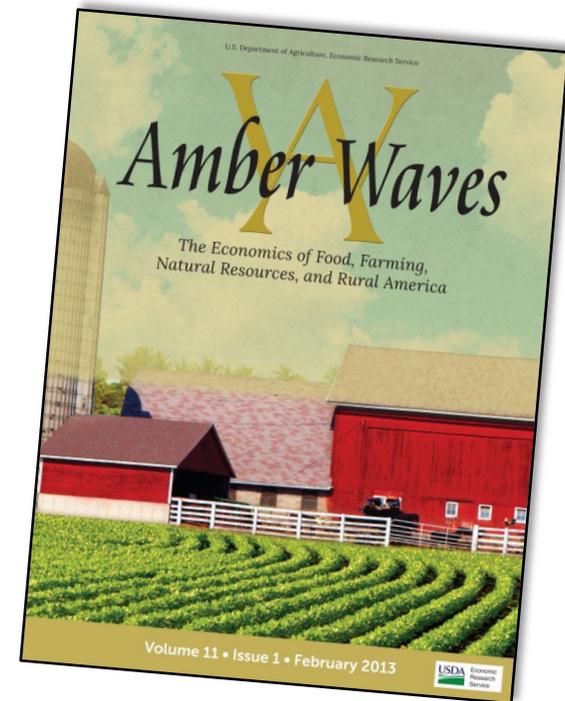
Economic Research Service has released a new report, providing a detailed outline of ERS's forecasting methodology, along with measures to test the precision of the estimates.



Amber Waves:

Presents current ERS economic and policy research on agriculture, food, rural America, and the environment for policymakers, academics and the public.

<http://www.ers.usda.gov/AmberWaves/>



THANK YOU!

Contact Information:

Annemarie Kuhns

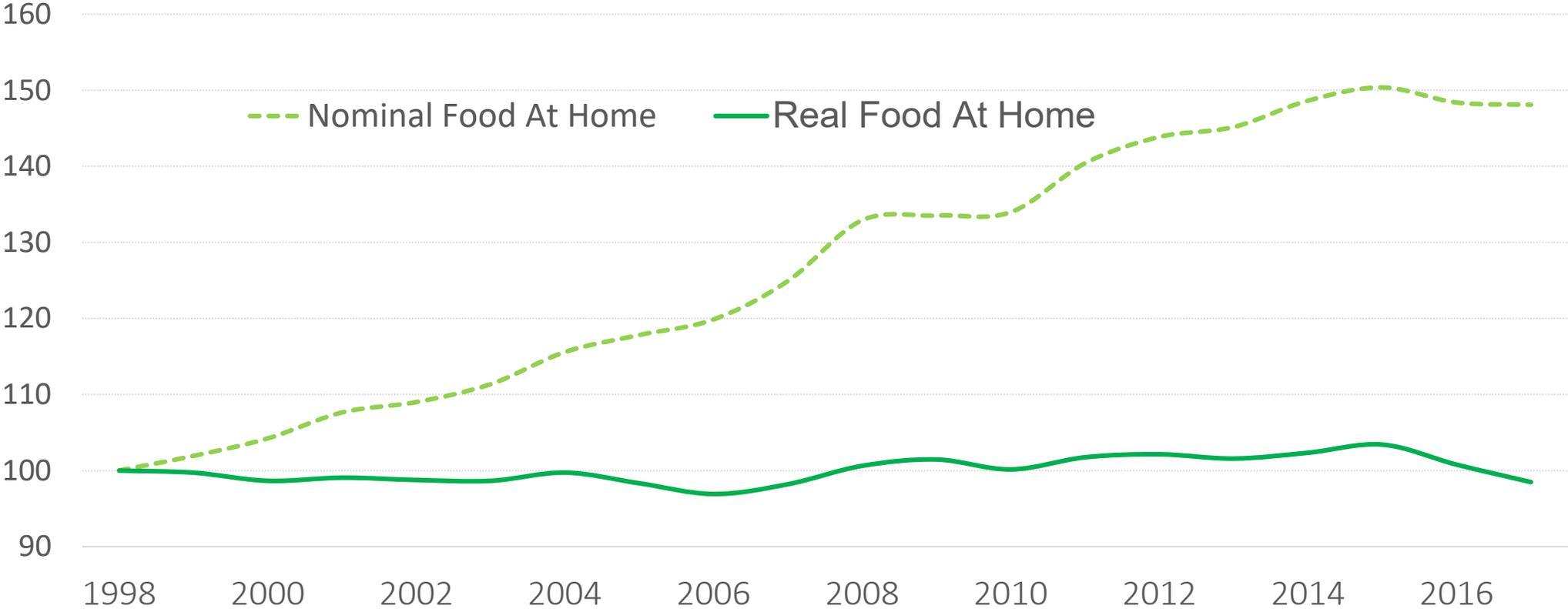
amkuhns@ers.usda.gov

202-694-5351



REAL VS. NOMINAL FOOD AT HOME INFLATION

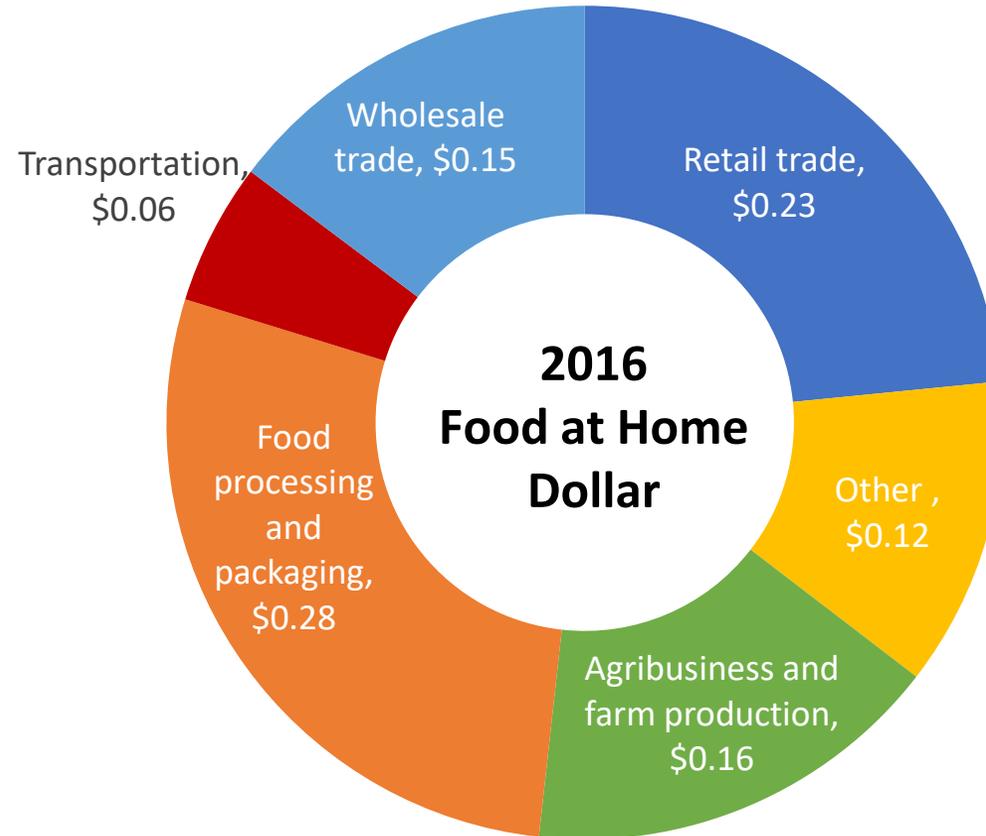
Index (1998 = 100)



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



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



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



U.S. PASS-THROUGH PERCENTAGES AND TIMES

Retail Category	Time to Pass Through (Months)
Beef	1 to 2
Pork	1 to 3
Poultry	1 to 2
Eggs	3 to 5
Milk	1 to 5
Bread	1 to 6
Oranges	1 to 2
Lettuce	1 to 2

Source: Leibtag, E. "How Much and How Quick? Pass Through of Commodity and Input Cost Changes to Retail Food Prices," American Journal of Agricultural Economics 91: 1462-67, 2009.

