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Rising meat prices to lead CPI higher: USDA

By Lisa M. Keefe on 1/27/2011

U.S. consumers are due for a reality check in 2011, as a long period of nearly stagnant food prices gives way to a Consumer Price Index rise of 2 percent to 3 percent. Rising meat prices — push upward by rising feed costs — will lead the pack, according to USDA's Economic Research Service (ERS).

In its 2011 Consumer Price Index analysis, ERS notes that in December 2010, beef prices were up 6.1 percent compared with levels a year earlier, and pork prices were 11.2 percent higher than in December 2009. Beef prices are projected to increase 2.5 percent to 3.5 percent and pork prices by 3.5 percent to 4.5 percent in 2011.

"[H]igher food commodity and energy prices have recently exerted pressure on wholesale and retail food prices," ERS says in its report, noting that prices are expected to rise in both supermarkets and in restaurants.

By comparison, the all-food CPI rose 0.8 percent between 2009 and 2010, the lowest food inflation rate since 1962. Food-at-home prices increased by 0.3 percent — the lowest annual increase since 1967 — helped along by dropping prices for cereal, bakery and processed fruits and vegetables. Food-away-from-home prices rose 1.3 percent in 2010, the lowest annual increase for restaurant prices since 1955.

An increase of 2 percent to 3 percent is a return to average historical levels of food inflation, ERS says.