

Outlook 2012:

Outlook for 2012 Falls Within Historical Average For Food Price Inflation

Food prices surged in the final quarter of 2011, resulting in annual price inflation slightly above USDA's expectations for beef and veal, eggs, and fats and oils. The food-at-home Consumer Price Index (CPI) increased more than expected -4.8% in 2011-which means that food price inflation was not as strong as in 2008 when it increased 6.4% over 2007. With inflationary pressures not expected to intensify in 2012, this higher starting point for food prices translates into a moderated outlook for inflation in 2012.

The CPI for all food is **projected to increase 2.5 to 3.5%** in 2012, with food-at-home (grocery store) prices also forecast to increase 2.5 to 3.5% and food-away-from-home (restaurant) prices forecast to increase 2 to 3%. The average annual increase for food-at-home prices between 1990 and 2011 was 2.8%, and USDA's current outlook for 2012 falls within the historical average for food price inflation. All USDA forecasts for 2012 assume normal weather conditions and no shocks to the global market for major commodities.

| Item: | Relative Weights | Final 2008 | Final 2009 | Final 2010 | Annual 2011 | Forecast 2012 |
|-------------------------------|------------------|------------|------------|------------|--------------|-------------------|
| Consumer price indexes | % | | | | | |
| All food | 100.0 | 5.5 | 1.8 | 0.5 to 1.5 | 3.25 to 3.75 | 2.5 to 3.5 |
| Food away from home | 43.1 | 4.4 | 3.5 | 1.0 to 2.0 | 2.0 to 2.5 | 2.0 to 3.0 |
| Food at home | 56.9 | 6.4 | 0.5 | 0.5 to 1.5 | 4.25 to 4.75 | 2.5 to 3.5 |
| Meats | 7.9 | 3.5 | -0.6 | 2.5 to 3.5 | 8.25 to 8.75 | 3.5 to 4.5 |
| Beef and Veal | 3.7 | 4.5 | -1.0 | 2.5 to 3.5 | 9.5 to 10.0 | 4.0 to 5.0 |
| Pork | 2.5 | 2.3 | -2.0 | 5.0 to 6.0 | 8.0 to 8.5 | 3.0 to 4.0 |
| Other Meats | 1.7 | 3.1 | 2.3 | 0.0 to 1.0 | 6.0 to 6.5 | 2.5 to 3.5 |
| Poultry | 2.4 | 5.0 | 1.7 | 0.0 to 1.0 | 2.5 to 3.5 | 3.0 to 4.0 |
| Fish and seafood | 2.2 | 6.0 | 3.6 | 1.0 to 2.0 | 6.5 to 7.0 | 4.0 to 5.0 |
| Eggs | 0.7 | 14.0 | -14.7 | 0.0 to 1.0 | 8.25 to 8.75 | 1.0 to 2.0 |
| Dairy products | 6.1 | 8.0 | -6.4 | 1.5 to 2.5 | 6.25 to 6.75 | 2.0 to 3.0 |
| Fats and oils | 1.7 | 13.8 | 2.3 | 0.0 to 1.0 | 8.5 to 9.0 | 2.5 to 3.5 |
| Fruits and vegetables | 8.4 | 6.2 | -2.1 | 0.5 to 1.5 | 4.0 to 4.5 | 2.5 to 3.5 |

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|-------------------------------|------|------|------|------------|--------------|-------------------|
| Fresh fruits and vegetables | 6.4 | 5.2 | -4.6 | 0.5 to 1.5 | 4.25 to 4.75 | 2.0 to 3.0 |
| Fresh fruits | 3.3 | 4.8 | -6.1 | 0.0 to 1.0 | 3.0 to 4.0 | 3.0 to 4.0 |
| Fresh vegetables | 3.2 | 5.6 | -3.4 | 1.5 to 2.5 | 5.5 to 6.0 | 1.0 to 2.0 |
| Processed fruits & vegetables | 1.9 | 9.5 | 6.6 | 0.0 to 1.0 | 2.5 to 3.0 | 3.0 to 4.0 |
| Sugar and sweets | 2.2 | 5.5 | 5.6 | 2.0 to 3.0 | 3.0 to 3.5 | 2.0 to 3.0 |
| Cereals and bakery products | 7.9 | 10.2 | 3.2 | 0.0 to 1.0 | 3.5 to 4.0 | 4.5 to 5.5 |
| Nonalcoholic beverages | 6.7 | 4.3 | 1.9 | 0.0 to 1.0 | 3.0 to 3.5 | 1.5 to 2.5 |
| Other foods | 10.7 | 5.2 | 3.7 | 0.0 to 1.0 | 2.0 to 2.5 | 2.0 to 3.0 |

**Revised Jan. 25, 2012. Bolded entries reflect changes from the previous month's forecast.*