

# THE FOOD INSTITUTE REPORT



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## BEEF & VEAL PRICE INCREASES OUTPACE OVERALL GROCERY INFLATION

The Consumer Price Index (CPI) for all food continues to be projected to increase 2.5% to 3.5% in 2012 by **USDA'S ECONOMIC RESEARCH SERVICE**, 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 food-at-home CPI increased 0.1% in April and is up 3.3% from last April, while the food-away-from-home index was up 0.3% in April and is 2.9% above last April. See **FOOD INSTITUTE REPORT**, May 21, page 6, for a comparison of retail and wholesale prices, which indicate that retail prices could wind up below USDA's estimates if current trends continue.

The following was gleaned from USDA's latest update...

(see **BEEF & VEAL** page 6)

## USDA Still Pegs Inflation at 2.5%-3.5% This Year

(Source: USDA)

Item	Relative Importance <sup>1</sup>	Month-to-Month Mar 2012 to Apr 2012	Year-over-Year Apr 2011 to Apr 2012	Annual 2010	Annual 2011	Forecast 2012
	Percent		Percent change			
<b>Consumer Price Indexes</b>						
All food	100.0	0.2	3.1	0.8	3.7	2.5 to 3.5
Food away from home	39.6	0.3	2.9	1.3	1.9	2.0 to 3.0
Food at home	60.4	0.1	3.3	0.3	4.8	2.5 to 3.5
Meats, poultry, and fish	12.9	0.1	4.6	1.9	7.4	3.5 to 4.5
Meats	8.4	-0.3	4.2	2.8	8.8	3.5 to 4.5
Beef and Veal	3.8	0.3	5.9	2.9	10.2	4.0 to 5.0
Pork	2.6	-0.6	3.0	4.7	8.5	3.0 to 4.0
Other meats	1.9	-0.9	2.4	-0.1	6.4	2.5 to 3.5
Poultry	2.3	0.5	6.1	-0.1	2.9	3.0 to 4.0
Fish and seafood	2.2	1.4	4.5	1.1	7.1	4.0 to 5.0
Eggs	0.8	1.2	5.6	1.5	9.2	1.0 to 2.0
Dairy products	6.4	-1.0	3.4	1.1	6.8	2.0 to 3.0
Fats and oils	1.8	-0.7	8.4	-0.3	9.3	3.5 to 4.5
Fruits and vegetables	9.0	0.9	-1.7	0.2	4.1	2.0 to 3.0
Fresh fruits & vegetables	6.9	1.1	-4.1	0.6	4.5	1.5 to 2.5
Fresh fruits	3.5	2.6	1.9	-0.6	3.3	2.0 to 3.0
Fresh vegetables	3.3	-0.4	-9.7	2.0	5.6	1.0 to 2.0
Processed fruits & vegetables	2.1	0.3	6.5	-1.3	2.9	3.0 to 4.0
Sugar and sweets	2.1	0.3	5.9	2.2	3.3	2.0 to 3.0
Cereals and bakery products	8.7	0.3	4.7	-0.8	3.9	3.5 to 4.5
Nonalcoholic beverages	6.7	-0.2	1.9	-0.9	3.2	1.5 to 2.5
Other foods	11.9	0.2	4.2	-0.5	2.3	3.0 to 4.0

<sup>1</sup>BLS estimated expenditure shares, December 2010. Food prices represent approximately 14 percent of the total CPI.

## U.S. GROCERY MARKET WILL BE DWARFED BY CHINA IN JUST THREE YEARS

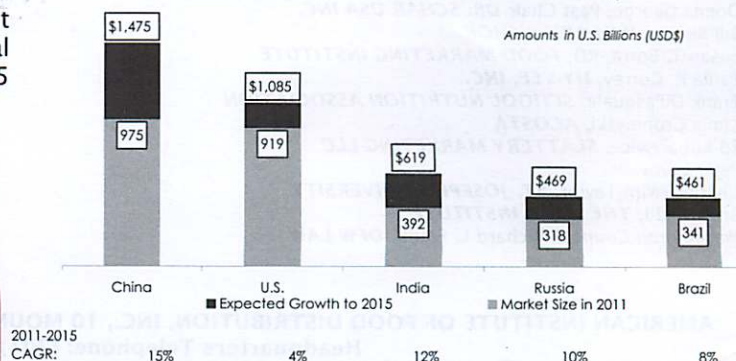
Emerging global markets are expected to account for one-quarter of **HJ HEINZ** sales in the near future, according to a recent webcast when Pittsburgh, PA-based firm reported sales of \$11.65 billion for the fiscal year ended Apr. 29. During the presentation, data about the growth in those markets made it apparent why the ketchup and baby food maker is so optimistic.

According to Heinz and projections from the **INSTITUTE OF GROCERY DISTRIBUTION**, (IGD), China became the world's largest grocery market in 2011, surpassing the United States for the first time with sales of \$975 billion, compared to \$919 billion domestically. And that gap will grow rapidly by 2015, when IGD projects China's grocery market will be 36% larger than the U.S., totaling \$1.475 trillion. Looking at it another way, China's grocery market compound annual growth rate (CAGR) is projected to be 15% from 2011-2015

(see **CHINA DWARFS U.S.** page 6)

## China Overtakes U.S. as World's Biggest Grocery Market

(Source: The Institute of Grocery Distribution and H.J. Heinz)



## WHAT'S INSIDE?

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Canned Oyster Voluntary Recall .....Pages 18-19



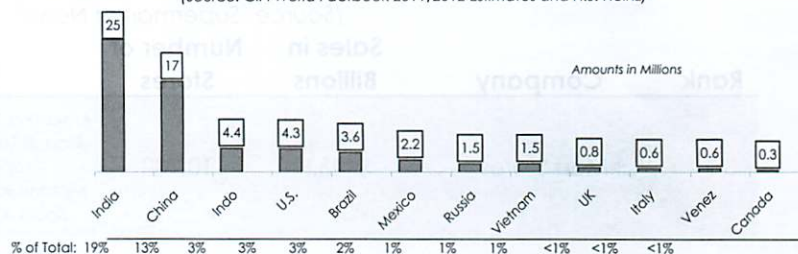
**CHINA DWARFS U.S.***(continued from page 1)*

compared to just 4% in the U.S.

"All the BRIC (Brazil, Russia, India, China) nations will be in the top five grocery markets by 2015," stated IGD. Joanne Denney-Finch, the group's chief executive: "(China's) rapid expansion has been fuelled by three main factors: rapid economic growth, population and rising food inflation.

For Heinz, emerging markets are expected to surpass its developed market sales in the ketchup and sauce category by 2018, when they are projected to hit \$80 billion – or a 9.6% CAGR. The 2006-2011 CAGR for more developed markets is seen at just 2.1%, reaching \$78 billion by 2018.

Meanwhile, Heinz notes that one-third of all births in the world occur in India and China, with India actually outpacing China, with an estimated 25 million births annually, compared to China's 17 million. Meanwhile, births in the U.S. total about 4.3 million annually, accounting for only 3% of the world total. Heinz reports that of 40% of its infant/nutrition sales come from emerging markets already, which is not surprising considering the birth rates.

**Global Annual Birth Rate***(Source: CIA World Factbook 2011/2012 Estimates and H.J. Heinz)***BEEF & VEAL***(continued from page 1)*

**BEEF** prices were up 0.3% in April and are 5.9% above last April, with steak prices up 6.2% and ground beef prices up 6.2%. **PORK** prices decreased 0.6% in April and are 3.0% above last April's level. **POULTRY** prices increased 0.5% in April and are 6.1% above prices last year at this time, with chicken prices up 5.3% and other poultry prices (including turkey) up 9.2%.

**EGG** prices increased 1.2% in April and are now 5.6% above the April 2011 level. Egg-price inflation is returning to historically average levels, as the domestic inventory of **EGG-LAYING HENS** in the U.S. continues to increase.

**FISH AND SEAFOOD** prices were up 1.4% from March to April and are 4.5% above the April 2011 level. Japanese output is expected to continue recovering throughout 2012, but seafood prices should remain high in 2012.

**DAIRY** prices were down 1% from March to April, compared with a 0.1-percent decrease from February to March. Dairy prices are now 3.4% above the April 2011 level. Within the dairy category, prices changed as follows in April: **MILK** prices were down 0.8% and are 0.9% above last April's prices; **CHEESE** prices were down 1.9% and are 4.4% above last April's level; **ICE CREAM** and related product prices were up 0.6% and are 5.5% above last April's level; and **BUTTER** prices decreased 2.2% this month and are 8.6% below last April. Fluid milk prices are expected to level off early in 2012 and to remain below the average 2011 farm price; this should restrict overall dairy retail price inflation for the year.

**FRESH FRUIT** prices increased 2.6% in April—the first increase of 2012, and the fresh fruit index is up 1.9% overall from last year at this time, with apple prices up 3.5%, banana prices down 0.3%, citrus fruit prices up 0.4% and other fresh fruit prices up 2.5%. The **FRESH VEGETABLE** index decreased 0.4% in April. Since last year at this time, fresh vegetable prices are down 9.7%, with potato prices up 0.2%, lettuce prices down 11.2%, tomato prices down 31.7%, and other fresh vegetable prices down 3% from the same time last year. Unseasonably warm weather and favorable growing conditions thus far in 2012 have resulted in prices and output for many vegetable crops that contrast sharply with prices and output for the same time last year. **PROCESSED FRUIT** and **VEGETABLE** prices increased 0.3% in April and are 6.5% above the April 2011 level. The contracts within the processed fruit and vegetable industry have kept price inflation below that for fresh fruits and vegetables throughout 2011, but 2012 prices are expected to reflect increased fuel and commodity costs.

**CEREAL** and **BAKERY** product prices increased 0.3% from March to April and are up 4.7% from the same time last year, with bread prices up 4.1% and breakfast cereal prices up 3.9% over the past year. **SUGAR** and **SWEETS** prices were up 0.3% in April and are 5.9% above last April. Prices for **NON-ALCOHOLIC BEVERAGES**, including coffee and carbonated beverages, are down 0.2% in April and are up 1.9% from last year.

The index for **FATS** and **OILS** was down 0.7% from March to April and is 8.4% above the April 2011 level. The significant price increases in 2011 were due in large part to surging soybean prices.

**The future of food!**

**WILLARD BISHOP's** Jim Hertel and Craig Rosenblum will provide unique and unparalleled insights into the Future of Food Retailing in a June 20 webinar moderated by Dr. John Stanton of **ST. JOSEPH'S UNIVERSITY**.

They will dig into retailer strategies, identify specific actions that Walmart and others are taking, and point out intended and unintended consequences of retailers' actions. They will also point out winners and losers in the consumer spending turnaround and the effect this has had on the larger food retailers.

Visit here for more information <http://www.foodinstitute.com/foodretailing2012.cfm>



## Top 25 Worldwide Food Retailers

(Source: Supermarket News)

Rank	Company	Sales in Billions	Number of Stores	Areas of Operation
1	Wal-Mart Stores	\$443.9	10,130	Argentina, Botswana, Brazil, Canada, Chile, China, Costa Rica, El Salvador, Ghana, Guatemala, Honduras, India, Japan, Lesotho, Malawi, Mauritius, Mexico, Mozambique, Namibia, Nicaragua, Nigeria, Puerto Rico, South Africa, Swaziland, Tanzania, Uganda, UK, U.S.
2	Carrefour	\$113.1	9,672	Albania, Argentina, Belgium, Brazil, Bulgaria, China, Colombia, Greece, Cyprus, France, Indonesia, Italy, Malaysia, Poland, Singapore, Spain, Taiwan, Turkey. Franchisees: Bahrain, Iran, Dominican Republic, Egypt, Jordan, Kuwait, Lebanon, Morocco, Oman, Pakistan, Qatar, Saudi Arabia, Syria, Tunisia, UAE
3	Tesco	\$103.5	6,234	China, Czech Republic, Hungary, India, Ireland, Japan, Malaysia, Poland, Slovakia, South Korea, Thailand, Turkey, UK, U.S.
4	Metro Group	\$92.8	2,187	Austria, Belgium, Bulgaria, China, Croatia, Czech Republic, Denmark, France, Germany, Greece, Hungary, Italy, Japan, Kazakhstan, Luxembourg, Moldova, Morocco, Netherlands, Pakistan, Poland, Portugal, Romania, Russia, Serbia, Slovakia, Spain, Sweden, Switzerland, Turkey, Ukraine, UK, Vietnam
5	Schwarz Group	\$90.6	11,029	Austria, Belgium, Bulgaria, China, Croatia, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, Switzerland, UK
6	Kroger Co.	\$90.4	2,435	U.S.
7	Costco	\$87.0	592	Australia, Canada, Japan, Mexico, Puerto Rico, South Korea, Taiwan, UK, U.S.
8	Aldi	\$73.3	9,845	Australia, Austria, Belgium, Denmark, France, Germany, Greece, Hungary, Ireland, Italy, Luxembourg, Netherlands, Poland, Portugal, Slovenia, Spain, Switzerland, UK, U.S.
9	Target	\$69.9	1,763	U.S. (Canada in 2013)
10	Rewe Group	\$66.9	13,423	Austria, Bulgaria, Croatia, Czech Republic, Germany, Hungary, Italy, Romania, Russia, Slovakia, Ukraine
11	Edeka	\$63.4	15,266	Germany
12	Auchan	\$61.7	3,057	China (joint venture with Ruentex Group), France, Hungary, Italy, Luxembourg, Poland, Portugal, Romania, Russia, Spain, Taiwan, Ukraine
13	Aeon	\$58.4	13,981	China, Denmark, Hong Kong, Indonesia, Japan, Malaysia, South Korea, Taiwan, Thailand, Vietnam
14	Woolworths	\$55.9	4,122	Australia, India, New Zealand
15	Seven & I	\$50.4	41,800	Australia, Canada, China, Denmark, Hong Kong, Indonesia, Japan, Malaysia, Mexico, Norway, Singapore, South Korea, Sweden, Taiwan, Thailand, U.S.
16	Coles Group	\$49.3	3,396	Australia, New Zealand
17	Casino Group	\$47.8	11,745	Argentina, Brazil, Colombia, France, Thailand. Franchisees: Madagascar, Mayotte, Mauritius, Vietnam, Reunion, Uruguay, Senegal, Switzerland, Syria, Togo, Tunisia, UAE, Qatar, Oman.
18	ITM (Intermarche)	\$46.3	3,516	Belgium, Bosnia-Herzegovina, France, Poland, Portugal, Romania, Serbia
19	Leclerc	\$45.4	1,655	Andorra, France, Italy, Martinique, Poland, Portugal, Reunion, Slovenia, Spain
20	Safeway (USA)	\$43.6	1,678	Canada, Mexico, U.S.
21	Ahold	\$42.2	3,008	Belgium, Czech Republic, Estonia, Latvia, Lithuania, Netherlands, Norway, Portugal, Slovakia, Sweden, U.S.
22	Supervalu	\$36.1	2,434	U.S.
23	J Sainsbury	\$35.8	1,012	UK
24	Loblaws Cos.	\$31.6	1,046	Canada
25	Delhaize Group	\$29.4	3,408	Belgium, Cyprus, Greece, Indonesia, Luxembourg, Romania, Slovenia, U.S.