# Q3 2013 Inflation Forecast

**Hospitality Inflation Report Q 3 2013**

## The purpose of this report is to assist our Clients in keeping awareness of cost movements in the broad categories that make up the food industry.

**KEY CATEGORIES**

## Bakery/Grains

The U.S. wheat production is forecasted to decline driven by shrinking acreage and lower yields. U.S. long grain rice prices are rising pressured by declining supply.

## Beverages

Coffee prices continued the downward trend falling to $1.18 per pound in June 2013.

## Dairy

U.S. milk prices in August 2013 are 12% higher than last year and full year prices are expected to be 5.2% higher. Market prices for milk are expected to decline in the fourth quarter of 2013 driven by increased production and lower feed costs. 2014 milk prices are forecast to decline as much as 4%. Cheese Prices are expected to remain firm into the fourth quarter of 2013

## Meat

Beef prices are expected to decline in the fall supported by larger feed cattle placements. Ground beef prices remain firm supported by high demand and low supply. U.S. total pork inventories de- clines 5% in Q3 2013 (year-over-year). Entegra’s Farmland Foods pork prices increased over 5% in August 2013 supported by strong demand and low inventories.

## Poultry

Broiler meat production is forecasted to grow 3% for the last quarter of 2013 compared to the same period last year. Despite the growth in production, broiler meat prices remain firm for the remainder of 2013 supported by higher prices for other competing products.

## Seafood

Global shrimp prices remain firm supported by strong demand, declining supplies and reduced supply. The tuna market is well supplied and prices are holding steady and global salmon prices are firm. *(Source: Indicator by entegra Procurement Services, Q3 2013)*

## Metals

Aluminum prices are expected to rise in the fourth quarter of 2013 driven by rising labor and transportation costs. Global stainless steel production is set to rise nearly 3% for the year 2013 support- ed by rising Chinese production. *(Source: Indicator by entegra Procure- ment Services, Q3 2013)*

## Paper and Plastics

U.S. recovered fiber prices are declining supported by low demand and competing products. Polyethylene prices continue to slide downward supported by low raw material costs. *(Source: Indicator by entegra Procurement Services, Q3 2013)*

**Inflation Forecast**

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| --- | --- | --- |
| **Category** | **% of Total** | **Inflation Forecast (Sep '13 - Aug '14)** |
| Bakery | 8.3% | 2.3% |
| Beverage | 7.2% | 1.3% |
| Dairy | 11.9% | 3.0% |
| Disposables | 7.0% | 0.4% |
| Groceries | 22.0% | 2.8% |
| Meat | 17.1% | 4.5% |
| Not Specified | 3.6% | 0.0% |
| Poultry | 7.6% | 5.0% |
| Produce | 6.4% | 3.0% |
| Seafood | 5.8% | 7.2% |
| Supplies | 3.2% | 2.3% |
| **Overall** | **100%** | **3.1%** |