

## Food Price Outlook

### Wholesale Beef Prices to Remain High

Despite the effects of the 2014 drought in the Southwest and California, retail food price inflation rates approached the 20-year historical average of 2.6% per year. In 2014, the food-at-home [CPI](#) increased 2.4%. In 2015, USDA's Economic Research Service (ERS) that supermarket (food-at-home) prices will see normal to slightly-lower-than-average food price inflation, increasing 2.0 to 3.0%. Beef and veal prices will likely continue to experience the effects of the Texas/Oklahoma drought, as farmers' decisions on calving and herd sizes are felt down the line due to the 6 to 18-month production process. Additionally, the effects of Porcine Epidemic Diarrhea virus (PEDv) on the hog industry are subsiding, and the hog industry has started to expand in 2015. This forecast is based on an assumption of normal weather conditions; however, severe weather events could potentially drive up food prices beyond the current forecasts. In particular, the ongoing drought in California could have large and lasting effects on fruit, vegetable, dairy, and egg prices. Conversely, if oil prices continue to fall or remain low throughout 2015, subsequent decreases in production and transportation costs may be passed on to the retail level.

ERS does not currently forecast industry-level Producer Price Indexes ([PPI](#)) for crude, intermediate, and finished foods and feeds, but these have historically shown a strong correlation with the all-food and food-at-home CPIs. Crude foods and feeds posted a monthly increase of 0.9% from March to April. However, prices for intermediate foods and feeds fell in April, declining 0.8%. Prices for finished consumer foods also deflated in April, falling by 0.3% month-over-month. The recent price declines for commodities and foods at earlier stages of the food supply chain suggest that food prices at the retail level could continue to face downward pressure in the coming months.

Inflation rates for farm-level cattle and wholesale beef prices were high in 2014, as U.S. cattle herd sizes were at historically low levels. While inflationary pressures have lessened, farm-level cattle and wholesale beef price inflation remains elevated in 2015. In April, cattle prices increased 0.6% and are up 11.7% since this time last year. Wholesale beef prices also rose, increasing 2.1% on the month, and are now up 13.1% year-over-year. Wholesale beef prices are expected to remain historically

high through the remainder of 2015. ERS predicts farm-level cattle prices to rise 5.0 to 6.0% and wholesale beef prices to increase by 6.0 to 7.0% in 2015. As pasture and water conditions continue to improve in the western half of the U.S. and feed prices remain low, more cattle have been reported on pasture lots. However, increases in beef production require time, as it takes roughly 16 to 18 months from birth until cattle are ready for market.

Item:	Relative Weights	Annual 2011	Annual 2012	Annual 2013	Annual 2014	Forecast 2015
Consumer price indexes	%					
All food	100.0	3.7	2.6	1.4	2.4	2.0 to 3.0
Food away from home	41.1	2.3	2.8	2.1	2.4	2.0 to 3.0
Food at home	58.9	4.8	2.5	0.9	2.4	2.0 to 3.0
Meats, poultry, and fish	12.5	7.4	3.6	2.1	7.2	3.0 to 4.0
_Meats	7.9	8.8	3.4	1.2	9.2	3.0 to 4.0
__Beef & Veal	3.6	10.2	6.4	2.0	12.1	5.5 to 6.5
__Pork	2.5	8.5	0.3	0.9	9.1	-1.0 to 0.0
__Other Meats	1.8	6.4	1.7	-0.1	3.9	2.5 to 3.5
_Poultry	2.6	2.9	5.5	4.7	2.0	2.5 to 3.5
_Fish and seafood	2.0	7.1	2.4	2.5	5.8	2.5 to 3.5
Eggs	0.9	9.2	3.2	3.3	8.4	2.5 to 3.5
Dairy products	6.2	6.8	2.1	0.1	3.6	2.0 to 3.0
Fats and oils	1.8	9.3	6.1	-1.4	0.1	-0.5 to 0.5
Fruits and vegetables	9.7	4.1	-0.6	2.5	1.5	2.0 to 3.0
_Fresh fruits & vegetables	7.5	4.5	-2.0	3.3	1.9	2.5 to 3.5
_Fresh fruits	4.0	3.3	1.0	2.0	4.8	2.5 to 3.5
_Fresh vegetables	3.5	5.6	-5.1	4.7	-1.3	2.0 to 3.0

Processed fruits & vegetables	2.2	2.9	3.	0.3	0.1	2.0 to 3.0
Sugar and sweets	2.1	3.3	3.3	-1.7	-0.8	1.5 to 2.5
Cereals and bakery products	8.2	3.9	2.8	1.0	0.2	0.5 to 1.5
Nonalcoholic beverages	6.9	3.2	1.1	1.0	-0.5	2.0 to 3.0
Other foods	10.7	2.3	3.5	0.5	1.0	1.5 to 2.5

Item:	Annual 2010	Annual 2011	Annual 2012	Annual 2013	Annual 2014	Forecast 2015
Producer price indexes						
Crude foodstuffs and feedstuffs	13.3	23.6	4.2	1.9	4.9	N/A
Intermediate foods and feeds	3.4	12.0	4.8	1.4	3.2	N/A
Finished consumer foods	3.9	6.3	2.6	2.2	2.7	N/A
Farm level cattle	14.6	22.1	8.6	1.4	22.8	5.0 to 6.0
Wholesale beef	10.3	15.0	10.0	-0.3	19.1	6.0 to 7.0
Wholesale pork	23.2	12.5	-4.1	3.7	19.6	-15.0 to -14.0
Wholesale poultry	1.4	-1.5	11.2	3.7	4.3	1.5 to 2.5
Farm level eggs	0.5	16.5	1.4	9.4	17.8	-5.0 to -4.0
Farm level milk	27.1	23.5	-8.1	7.7	19.8	-10.0 to -9.0
Wholesale dairy	10.8	12.6	-1.6	3.5	11.00	-6.0 to -5.0
Farm level soybeans	0.7	24.0	13.2	-1.8	-12.4	-14.0 to -13.0
Wholesale fats and oils	4.3	29.3	-2.0	-6.7	-6.7	-1.0 to 0.0
Farm level fruits	12.1	-4.9	1.1	1.8	3.4	0.0 to 1.0
Farm level vegetables	10.0	9.3	-19.8	26.4	-1.9	1.0 to 1.0
Farm level wheat	12.1	-4.9	-2.6	-3.0	-6.8	-10.0 to -9.0
Wholesale wheat flour	10.0	9.3	2.0	0.0	1.4	-3.0 to 2.0

NA = Not available.						
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*\*Revised May 28, 2015. Bolded entries reflect changes from the previous month's forecast.*