

DeMarrais: Food prices could rise in 2014 - NorthJersey.com

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Thanks to intense competition and moderating energy prices, food prices were unusually stable and, in some cases, actually fell this year. But our luck could run out in 2014.

Those lower prices "are not going to last, no way, no how," said Ricky Volpe, a research economist at the U.S. Department of Agriculture's Economic Research Service.

Prices, which rose a mere 1.2 percent in the past 12 months, could increase by as much as 3.5 percent next year, the ERS says.

That's just a forecast based on "normal, average food inflation," Volpe said. The high end of the forecast of 2.5 percent to 3.5 percent provides "a little wiggle room" for the estimates.

And keep in mind that the forecast for this year was as high as 2.5 percent, while the actual increase through November was half of that — and could go even lower when the final numbers are in.

The error was largely the result of an overcall in predicting the impact of a drought in the Midwest that cut farm production and forced ranchers to cull their herds, Volpe said.

"We were looking at 3 to 4 percent, but it became clear that everyone kind of overshot the damage from the drought," he said in a phone interview.

It also forced economists to review whether they overestimate how much commodity prices drive retail prices. With some products, such as milk, the commodity is a big part of the retail price, but it's less so with many packaged, heavily processed foods.

Still we could see some prices that have risen in recent years stay high, Volpe said.

"Looking at record meat prices, there's little chance they're going to come down. Even if inflation is not profound, consumers expect to see higher prices," Volpe said.

"Inventories are tight, and prices certainly have not peaked."

Most of this year's increase came from dining out, according to government records. The Consumer Price Index for food eaten at home was up just 0.6 percent, the smallest 12-month increase in more than 3 1/2 years.

"Prices were lower than anticipated in the second half of 2013," said Brian Todd, president and chief executive of The Food Institute, an [Upper Saddle River](#)-based trade organization.

Yields of many of the feed grain crops were larger than expected, and that held cereal prices down while keeping beef and pork prices from rising as much as many people anticipated.

"Almost all of their category estimates came in on the low side of expectations, and that is likely to continue in 2014, depending on weather forecasts," Todd said.

When severe weather reduces yields in one locale, the impact is often limited because retailers can often find new sources elsewhere. But that is not the case with beef, where it can take several years to get back to normal, he said.

One reason prices have stayed flat is the intense competition to get people to spend their money, especially in areas such as [Bergen County](#), Todd said by phone.

That has forced many retailers to hold their prices and eat higher costs for raw materials, labor and energy. But with the overall economy improving, retailers are poised to pass increases along to consumers.

"For the first time in 20 months, retail prices are matching what's happening on the wholesale level," Todd said.

Food items with the biggest potential to grow are prices that fell in 2013, including soda, condiments, soup, sugars and sweets and other staples.

You can expect lower prices for coffee — at least mass market brands — thanks to record yields in several key growing regions. But prices of top quality and premium brand coffee are likely to stay high, as will the increasingly popular K cups, Todd said.

Shoppers can expect to see more package shrinkage — a point of inflation that doesn't show up in inflation, Volpe said — such as sugar, where the standard package went from five pounds to four this year.

Also, shoppers are likely to see more private labels and increased use of promotions, he said.

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