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Food costs up for holidays

By William Pack

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A trip to the grocery store has become a more demanding experience this year for Norma Vidal and other San Antonio shoppers. Food prices are surging, with the [USDA](#) forecasting an overall increase of between 4 percent and 5 percent for 2011.

"I watch every penny I spend," said Vidal, an attorney. "I get coupons and buy (store-brand) products now. Everywhere I can, I'm trying to cut costs."

Gwen Dilworth, a home health care provider, said the high prices might convince her to cut back on holiday meal outlays or ask guests to bring side dishes to the celebration.

"No raises, no nothing. We've got to make ends meet the best we can," she said.

Employment may still be struggling and incomes stagnating as the economy wobbles out of the recession, but food prices — particularly the food you buy at grocery stores — have risen strongly in 2011, the first big jump in home-prepared food costs in three years.

The jump of as much as 5 percent in 2011 follows increases of half-a-percent or less each of the past two years.

From September 2010 to September 2011, says the [Bureau of Labor Statistics](#), the rate of increase was even higher than this year's forecast at 6.3 percent.

Holiday shoppers are not expected to see much relief from the high prices, and food costs are likely to stay strong through 2012, experts said.

However, the steep increases could flatten out next year to about 3 percent, which would be closer to historic growth trends for food costs, economists said.

"We have no reason to expect deflation, no reason to expect prices to turn around in the foreseeable future," said [Ricky Volpe](#), research economist with the U.S. Department of Agriculture's [Economic Research Service](#). "But (prices) won't keep rising at this level. The inflationary pressures are not expected to get worse."

The USDA is projecting retail food prices will grow 3 percent to 4 percent next year.

Food away from home — essentially restaurant sales — saw costs escalate more rapidly than home-prepared food in 2009 and 2010. But this year, it's expected to grow about a percentage point slower than retailers' food sales.

Every food category has experienced price hikes this year, according to the most recent Consumer Price Index survey.

It's the result, officials said, of numerous factors, including low inventories of livestock and dairy cows; vigorous demand from international markets, driven higher by the weak dollar; booming production costs; weather crises in Texas and other states that weakened agricultural production; and the government's biofuels policy diverting some of the corn crop to ethanol production.

Meat and dairy products, considered key drivers in the resurgence of food prices, increased 7.3 percent and 10.2 percent, respectively, between September 2010 and this September, the CPI survey showed.

But eggs and the fats-and-oils category each saw prices rise more than 11 percent during that 12-month period. Fruits and vegetables had the smallest increase at 6.7 percent.

Brian Todd, president of [The Food Institute](#), said retailers have faced wholesale food price hikes of closer to 8 percent this year but have not passed all the burden on to consumers.

"They are aware consumers are having a hard time," he said. "Overall, they'll continue to try to keep costs as low as possible."

Roger Cryan, an economist with the National Milk Producers Federation, said milk production has started to grow in recent months as cow inventories have jumped again after falling by about 300,000 head in 2009.

He said indicators suggest raw milk prices could fall 20 to 30 cents a gallon soon, which would lower retail prices next year.

John Anderson, senior economist with the [American Farm Bureau Federation](#), said producers and consumers have made the tough adjustments to rising costs in recent years, and he expects food prices to moderate next year.

Even with the price increases, it's “a very affordable food supply,” Anderson said, and he expects it to stay that way.

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