

Consumer Corner: Oil prices, global demand push food higher

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CHICAGO, Oct. 7 (UPI) -- CHICAGO, Oct. 7 (UPI) -- Food prices are up, but the global economy -- rather than a lack of rain in the U.S. Corn Belt -- are likely to blame, a U.S. food marketing expert says.

John Stanton, professor of food marketing at Saint Joseph's University in Philadelphia, says increasing global demand for crops such as corn is putting pressure on U.S. food prices.

"Price increases from the droughts are likely to have short-term effects, but global issues can have a longer and greater impact," Stanton said in a news release.

"The biggest cost in a box of corn flakes isn't the corn," he said. "It's everything from the price of oil to transport the product to the marketing and the packaging. So something like the cost of oil will have a much more lasting effect on the price of your cereal than the supply of crops."

Buying locally grown and locally produced food has many positive benefits but it won't necessarily leave more change in your pocket.

"Everybody is looking for local food," said Stanton. "But whether we like it or not, the food world is global and what happens in Brazil can have just as big an impact on U.S. consumers as what happens in Nebraska."

Higher grain prices and strong global demand for pork are putting pressure on the domestic supply but U.S. fears of a pending bacon shortage are misplaced, a major U.S. pork processor and hog producer said.

"Contrary to recent media reports, there is no bacon shortage, at least not at Smithfield Foods Inc.," the company said in a statement. "Thanks to our company farms and national network of family farm partnerships, we are happy and proud to continue delivering high-quality, flavorful bacon and bacon products to our retail and food service customers."

Smithfield, however, said high grain prices from the summer drought and ethanol policy will continue to be a financial hardship for domestic hog farmers and likely will cause many of them to cut production.

The Food Institute says food inflation, including the impact of the drought in the Midwest this year, will cost a family of four \$351.12 more in food spending in 2013 than in 2012, which comes out to about \$6.75 per week.

The trade association, based in New Jersey, says the U.S. Department of Agriculture's latest food price projections for 2013 indicate prices for food at home will increase as much as 4 percent next year, with prices for food away from home projected to rise as much as 3.5 percent.

The Food Institute says most of the increase will be spent at meat counters, where annual costs are seen rising about \$44 next year for a family of four, and about \$30 for a two-person household.

Fresh produce prices will add \$23.44 more to a family's grocery bill next year, while processed fruit and vegetable expenditures should go up \$11, the Food Institute projects.

Environmentalists say rising demand for fossil fuels, a growing global population and global warming are exacerbating the issues created by the drought.

Lester Brown, president of the Earth Policy Institute, said the "Great Drought of 2012" has raised corn prices to record highs and helped usher in "a new wave of food unrest.

"This year's corn crop shortfall will accelerate the transition from the era of abundance and surpluses to an era of chronic scarcity," Brown said in a statement. "As food prices climb, the worldwide competition for control of land and water resources is intensifying."

Brown, author of "Full Planet, Empty Plates: The New Geopolitics of Food Scarcity," said access to food is replacing access to oil as an overriding concern of governments. Food is the new oil, land is the new gold. Welcome to the new geopolitics of food.

"For Americans who spend only 9 percent of their income on food, the doubling of food prices is not a big deal," the Earth Policy Institute said. "But for those who spend 50 to 70 percent of their income on food, it is a serious matter. ... There is little latitude for them to offset the price rise simply by spending more. They must eat less."

Brown said farmers face new challenges on both sides of the food equation -- population growth and economic growth.

"As incomes rise, people eat more grain-intensive livestock and poultry products. Today, with incomes rising fast in emerging economies, there are at least 3 billion people moving up the food chain. The largest single concentration of these new meat eaters is in China, which now consumes twice as much meat as the United States."

In 2011, the United States harvested nearly 400 million tons of grain. Of this, 32 percent went to ethanol distilleries.

Brown said farmers are also having to confront global warming.

"The massive burning of fossil fuels is increasing the level of carbon dioxide in the atmosphere, raising the Earth's temperature and disrupting climate. Historically when there was an extreme weather event -- an intense heat wave or a drought -- things would likely be back to normal by the next harvest. Now with climate in flux, there is no 'norm' to return to."

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