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Expect higher grocery bills in 2011

44 Comments
BY RICK PLUMLEE
The Wichita Eagle

The amount of increase in food prices is expected to double in 2011 from this year. That's the bad news. The good news is 2010 is predicted to see the smallest price increase for food since 1992 — a rise of 0.5 percent to 1.5 percent, according to the U.S. Department of Agriculture.

So, the forecast of a 2 to 3 percent increase for next year would be twice what we are expected to have when 2010 ends.

Some U.S. companies have already started to raise prices to blunt price spikes for a number of commodities, including corn, wheat and coffee.

But the projected 2 to 3 percent jump is close to a normal annual increase, economists say. Nothing like what we saw in 2008 when overall food prices skyrocketed by more than 6 percent.

Does that make you feel better?

Probably not. Especially those who have been laid off, or seen their hours and pay cut. Or those who have had more taken out of their paycheck to cover health insurance, which likely includes everybody.

"With the downturn in the economy, people are looking more closely at everything they spend, and food in particular," said Brian Todd, president and CEO of the Food Institute, a trade group based in New Jersey.

Breaking it down

PHOTOS

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Mike Hutmacher/File photo

Beef prices increased nearly 6 percent through Sept. 30 over the end of the third quarter in 2009. Prices are forecast to increase 2.5 to 3.5 percent next year.

NATIONAL GROCERY PRICE CHANGES

Change through Sept. 30 from previous year; 2011 forecast

Beef: up 5.7 percent; up 2.5 to 3.5 percent
Pork: up 10 percent; up 3 to 4 percent
Poultry: up 1.4 percent; up 2 to 3 percent
Eggs: up 11.3 percent; up 2.5 to 3.5 percent
Dairy: up 2.9 percent; up 4.5 to 5.5 percent
Fresh fruit: down 2.1 percent; up 2.5 to 3.5 percent
Fresh vegetables: up 4.3 percent; up 2.5 to 3.5 percent
Cereals and bakery: down 0.5 percent; up 2 to 3 percent

Source: U.S. Department of Agriculture

WHERE YOUR FOOD DOLLAR GOES

Labor costs: 39 percent

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But before we get to 2011, let's consider what has happened so far in 2010.

If you've bought groceries lately, it probably doesn't feel like you saw only a 0.5 to 1.5 percent increase for food overall.

Break it down and you can understand why you are feeling pinched.

Beef increased nearly 6 percent through Sept. 30 over the end of the third quarter in 2009. Pork shot up 10 percent, and fresh vegetables increased more than 4 percent.

And then there are eggs. They jumped 11.3 percent, in part because of a salmonella outbreak in August at two Iowa farms.

David Lambert, head of Kansas State University's agriculture economics department, said consumers try to take some of the sting out of higher-priced items by making choices.

"If steak is \$15 a pound, you are going to buy chicken," he said. "People are making choices in the store to buy cheaper. Choice is good."

Who's to blame?

While prices are going up, Lambert and Todd said the projected increase is very similar to what they've seen over the years.

"If you go back to 1970, the food price index is pretty steady at around 2 to 3 percent," Lambert said.

Major manufacturers are increasing their prices.

General Mills said it plans to raise prices on one-fourth of its breakfast cereals. The USDA expects cereals and bakery items to increase 2 to 3 percent in 2011.

Sara Lee in August said it was raising prices for its breads and deli meats. J.M. Smucker, Kraft Foods and Starbucks have all raised coffee prices.

No one wants to take the blame for increased prices.

Some would like to point a finger at farmers. After all, corn is up 41 percent from a year ago and wheat is up 13 percent. Grain sorghum, which is used to feed livestock, is up 61 percent.

But farmers receive only about 19 cents out of every retail dollar spent on food in this country. More than 80 cents goes for off-farm expenses, including nearly 39 percent for labor.

"The farm value out of that bowl of Wheaties is fairly small," said Mark Nelson, commodities director for the Kansas Farm Bureau.

Gasoline prices are up 5.1 percent over last year, according to the U.S. Bureau of Labor Statistics. But Lambert said it's incorrect to point to paying more at the pump as a reason for higher food prices, noting that the cost of gas accounts for only about 4 percent of the retail food dollar.

World weather, a weak U.S. dollar and speculators buying up grain contracts do play a large role in driving up crop prices because they all affect supply and demand, economists say.

Wheat prices began to soar shortly after a drought in Russia caused that country in August to shut off its wheat exports. Russia had 16 percent of the world wheat market, so that affected prices everywhere.

Farm prices: 18.7 percent

Misc. overhead (marketing, insurance): 22.4 percent

Packaging materials: 8 percent

Rail and truck: 3.9 percent

Energy to produce food at factories: 3.9 percent

Fuel and electricity: 3.9 percent

Corporate profit: 4.5 percent

WAYS TO SAVE ON GROCERIES

* Buy store brands instead of brand-name items. They are similar, and store brands cost less.

* Look for coupons in newspapers, magazines, on store shelves, in store ads and online. They are especially valuable when a food item is on sale.

* Shop the grocery ads before going to the store.

* Inventory your cabinets, refrigerator and freezer. Make a list of items needed and stick to it to limit impulse buying.

* Use the dinnerware you have. Buying paper plates and other disposable items add up and then money is simply thrown away.

* Serve healthy foods to get more nutrition for your dollar. For example, make a fresh green salad or a fruit salad with a light dressing instead of salads with gelatin, marshmallows and whipped cream.

* Don't throw away leftovers. Refrigerate or freeze leftovers within 2 hours of preparation. These make quick meals for lunch or supper with little to no extra cost. Ham bones or the turkey carcass can be used to make broth or soup.

* Eat smaller portion sizes and eat more slowly. It takes about 20 minutes for your stomach to tell your brain you are full.

* Food prepared at home is less expensive than buying a prepared meal to take home or going to a restaurant.

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"That came out of left field," Nelson said. "No one was expecting it."

But most farmers, including in Kansas — the nation's top wheat producer — didn't benefit from the spike because they had sold their wheat before it climbed above \$6 a bushel, Nelson said.

"High prices tend to solve high prices," he said. "When prices get very high, people buying wheat... ask, 'How badly do I need this?'"

"All of a sudden they don't buy the wheat, there's a reduction in demand and prices drop."

And that eventually will be reflected in food prices.

As for beef, cow-calf operations have been losing money for the past two years, Nelson said.

That has resulted in Kansas beef cow numbers falling by 5 percent from a year ago. Nationally, beef herd numbers are down 1 percent.

Smaller herds, higher beef prices.

And so it goes.

Holding the line

Todd, of the Food Institute, said retailers have been absorbing much of the increase from higher wholesale prices since late 2009.

From about a year ago, federal figures show that wholesale food prices are up 5.1 percent, while retail food prices have increased only 1.4 percent.

More specifically, wholesale pork is up 22 percent compared with a 17 percent increase in the retail prices. Beef has jumped nearly 13 percent wholesale, more than twice the 4 percent retail increase.

"Retailers have been holding the line, trying not to pass on anything near what wholesale is," Todd said. "There's a fear that with the current economy, customers will shop elsewhere or cut back on spending."

No doubt shoppers will attempt to do the latter.

"You have to be a wise shopper," said Karen Blakeslee, a food scientist with K-State's Research and Extension.

Contributing: Associated Press Reach Rick Plumlee at 316-268-6660 or rplumlee@wichitaeagle.com.



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InstantKarma 10/29/2010 01:14 AM

Don't worry. Wichita City Council will take care of us.

A chicken in every pot, & a grocery store on every corner!

1 person liked this. [Like](#) [Reply](#)



RepealtheBill 10/29/2010 10:24 AM in reply to InstantKarma

More like high-rise condominiums & no yards for people to grow their own vegetables or fruits.

From Seneca to Hydraulic they want high rise condominiums. They'll subsidize a few small grocery stores too.

[Like](#) [Reply](#)



Studemax 10/29/2010 02:01 AM

Everything is going up, but COLA adjustments to Social Security payments are not warranted?

The gooberment needs help with simple math, I think.

Cynical and 6 more liked this [Like](#) [Reply](#)



brian_nuevo 10/29/2010 10:15 AM in reply to Studemax

COLA adjustments to Social Security are governed by a specific formula (whether it is 'simple math' or not is debatable) that is part of federal law. Grocery store prices are not.

If you want to change the government's math, write your Congressperson, but know that Social Security COLA adjustments use a specific formula and are not just made willy-nilly.

[Like](#) [Reply](#)



desuhu61 11/05/2010 05:57 PM in reply to Studemax

Studemax, they don't include food and energy costs in the cost of living adjustments. I guess they figure we don't need to eat or heat and cool our homes. Or drive to the store!!

[Like](#) [Reply](#)



DikCheney 10/29/2010 05:43 AM

This is all Barack's fault.

Cynical and 5 more liked this [Like](#) [Reply](#)



RustyMutt 10/29/2010 06:03 AM in reply to DikCheney

This is Bush/Cheney's fault.

Maggotpunk and 6 more liked this [Like](#) [Reply](#)



MBLGuy80 10/29/2010 01:10 PM in reply to RustyMutt

The economic downturn we have been experiencing the past two years, and likely will continue to experience, is a combination of government, consumer, and financial mistakes. We have government enticing people that could not or should not own homes to buy one, we have idiot consumers taking on more

financial risk that he/she can afford, then we have the financial institutions that were more than happy to help it along all-the-while betting against their own investments. It's not one president's fault over the other. We need to stop blaming and start fixing. The problem, politically, goes back long before Barack Obama and Bushy. It can be traced back to post-WWII economic policies. So stop blaming the presidents and start coming up with solutions to the problem!

4 people liked this. [Like](#) [Reply](#)



Whynot_Earp 10/30/2010 11:59 AM in reply to MBLGuy80

CRA subprimes outperformed non-CRA subprimes. Most of the non-performing subprimes originated as HELOCs, loans to real estate speculators, and as piggyback loans used as down payments on McMansions. The banksters failed due diligence because they could securitize the loans, leaving them with no skin in the game.

[Like](#) [Reply](#)



Whynot_Earp 10/30/2010 11:56 AM in reply to RustyMutt

It's Calvin Coolidge's fault.

[Like](#) [Reply](#)



RustyMutt 10/29/2010 06:02 AM

Then stores should expect slower than normals income.

[Like](#) [Reply](#)



RepealtheBill 10/29/2010 10:26 AM in reply to RustyMutt

It's not the stores' fault.


- - except the government-subsidized ones.

[Like](#) [Reply](#)



Maggotpunk 10/29/2010 06:45 AM


I wonder how much of the increase is simply due to investors buying up agricultural commodities. This was done in the past to make oil prices skyrocket. The criminals at Goldman-Sachs are probably just looking for one more way to rob the people.

 Whynot_Earp and 2 more liked this [Like](#) [Reply](#)



seven 10/29/2010 08:21 AM in reply to Maggotpunk


Good point. The economic fiasco in America is driving down the value of the dollar. Bad economics and horrific debt. It is far better to park money in commodities than in currency that is falling. You obviously support the left and its agenda to impoverish the poor.

 Studemax and 2 more liked this [Like](#) [Reply](#)



Maggotpunk 10/29/2010 04:57 PM in reply to seven

Nice, a non-sequitur and an ad hominem all in one. Come back when you have something intelligent to say.

 Whynot_Earp liked this [Like](#) [Reply](#)



Whynot_Earp 10/30/2010 11:55 AM in reply to Maggotpunk

Seven was asleep when Forbes published the report tying Goldman-Sachs to the oil price fiasco. He probably thinks Forbes is a "leftist" publication.

[Like](#) [Reply](#)



two_cents_worth 10/29/2010 06:47 AM

I have not found anything unusual here--prices have continued to go up at a fairly regular pace. Pretty sad fact is that the ramen noodles are almost always sold out these days--bet they will be throwing a lot of food away! Dumpster divers will get the feasts on the slightly outdated foodstuffs!!!

1 person liked this. [Like](#) [Reply](#)



De_Ja_Vu 10/29/2010 07:19 AM


Since prices are going up, how about we make the government subsidies go down? This is going to hurt old folks on a fixed income.

3 people liked this. [Like](#) [Reply](#)



sangle 10/29/2010 07:56 AM

THIS IS NEWS!
They've never gone up before have they?

 val liked this [Like](#) [Reply](#)



SheilaE 10/29/2010 07:59 AM

This is the fault of white racist republicans. Now lets vote them in again next Tuesday so they can finish the job they started eight years ago when they ruined this country. Lets also vote to lower the minimun wage because its those people fault that our jobs are being sent overseas to Mexico, Canada, and India etcc. If the american worker would just accept his pay cut this would not happen YEAH WHITE RACIST REPUBLICANS EQUALS the entire Kanasa delegation.


(Edited by author 3 weeks ago)

2 people liked this. [Like](#) [Reply](#)



UnAmused 10/29/2010 08:22 AM in reply to SheilaE

Wow, don't you have a clock to pop out of?

 Cynical and 3 more liked this [Like](#) [Reply](#)



Cynical 10/29/2010 08:07 AM

These numbers don't take into account the shrinking package sizes; Arts chips; used to be 10 oz; now 9oz; tuna 7oz now 5oz; ice cream i gallon now 3.5 qts; i doz of anything now 10 ct; everything in the store is smaller and lighter; the real cost of groceries is up by double digits this year alone; Thanks Hussein; Reid and Piglosi for creating the largest debt in history for the Working USA taxpayer; Husseins little trip to Indonesia; 870 hotel rooms; both AF1's; 45 vehicles and two warships off the coast so he can visit a mosque;

Impeach this lying idiot NOW



TheMaster and 9 more liked this

Like

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Huskyhush 10/29/2010 08:38 AM in reply to Cynical

And cereal boxes! Seems like four big bowls of cereal and that's it. Or maybe I just eat bigger bowls of cereal....



Cynical liked this

Like

Reply



brian_nuevo 10/29/2010 10:12 AM in reply to Cynical

What does private companies reducing the size of their products to make more profit and meet the price points consumers and stores want have to do with politics or the national debt? You are tossing out some red herrings there with no real substance...



Whynot_Earp and 3 more liked this

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Cynical 10/29/2010 11:37 AM in reply to brian_nuevo

IF you can't figure out that smaller packages for the same price is inflation for the consumer go back to Econ 101



LAZYDEMOCRAT and 1 more liked this

Like

Reply



iplayoutside 10/29/2010 08:19 AM

Blame whoever you want, "It is what it is"



counter_spy liked this

Like

Reply



UnAmused 10/29/2010 08:22 AM in reply to iplayoutside

Good, we blame you.

2 people liked this.

Like

Reply



Huskyhush 10/29/2010 08:43 AM in reply to iplayoutside

I'm going to blame the Romans....

Like

Reply



Dpanthers14 10/29/2010 08:38 AM

Its food and we have to eat to live so I guess it doesn't change much.

Like

Reply



Huskyhush 10/29/2010 08:42 AM

Grocery shopping is one of the best opportunities to adjust when you are trying to save money. We always tend to buy useless stuff that only pleases our palette and not our body. A jar of pickles or olives are about as worthwhile as eating a sheet of cardboard. I used to go to super target and buy a full cart of stuff so I could go shopping once a month, but realized there was stuff that just went bad before I could or wanted to eat it. Of course the bigger your family is the more work you will have to do. That's when you become the coupon warrior.

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