

25 percent more for butter?! Rising food prices add to shoppers' economic worries

By **SUSAN SALISBURY**

Palm Beach Post Staff Writer

Updated: 11:39 a.m. Sunday, Dec. 5, 2010

Posted: 11:33 a.m. Sunday, Dec. 5, 2010

Tony Jones scrutinized the packages of ground chuck and ground round at the Walmart in suburban West Palm Beach. He was not a shopper in a hurry.

You have to watch prices," said Jones, of West Palm Beach, who works at Mobile Home Depot. "Everything's going up this year. A lot of people come in and just grab something." Jones chose the ground chuck at \$2.58 a pound over the ground round at \$3.38.

Jones is correct. Prices have spiked recently for such staples as beef, pork, poultry, cheese, milk, butter, sugar and coffee. Economists say that's just the beginning.

Although inflation has been relatively weak for most of 2009 and 2010, food commodity and energy prices are on the rise. That puts pressure on wholesale and retail prices, said Ephraim Leibtag, an economist with the U.S. Department of Agriculture's Economic Research Service. The service is forecasting 2 percent to 3 percent food inflation for next year.

Food prices as a whole have not increased much this year, with the USDA predicting overall increases of 1 to 1.5 percent for 2010. But zeroing in on specific items provides some startling exceptions, such as butter's roughly 25 percent increase, attributed to short supplies.

Next year, expect more increases when higher costs for commodities and energy kick in further.

General Mills, Sara Lee, Starbucks, J.M. Smucker's and Kraft Foods have all increased prices this year. Even SPAM, the low-budget canned pork product, will go up 3 to 4 percent at around February, Austin-based Hormel Foods has announced.

"We are seeing some pretty big increases," said Brian Todd, president of The Food Institute, an Upper Saddle River, N.J.-based nonprofit whose members include food manufacturers and grocers.

"The larger increases now are coming for the center-of-the-plate items such as beef, poultry and pork, which are a main portion of many people's meals," Todd said.

Blame several major factors. The first is rising prices for wheat, corn and soybeans. All are used for animal feed. More corn is going to ethanol, and soybean oil is used to make biodiesel.

The second is more demand for protein from countries around the world.

In addition, higher fuel prices impact everything from production to delivery.

"Soybeans are on pace for the sixth consecutive year of record exports, mainly due to China. China's population has turned to a more protein-rich diet, which means more meat. Soybean meal is fed to hogs and chickens," said John Sanow, a grains analyst with Telvent DTN in Omaha, Neb.

Leibtag agreed that it's a global market.

"As other countries increase their relative income and are able to purchase more and more of the American-type diet, they

are eating more dairy and more protein," Leibtag said.

Corn for ethanol consumes about 35 percent of the U.S. crop. Corn is also used for animal feed and many food products. Its byproduct, high-fructose corn syrup, is an ingredient in soft drinks, cookies, ketchup, bread and more.

Where once wheat, corn and soybean prices were driven mostly by supply and demand, now the futures market is helping to ratchet up prices as more investors put their money into commodities. Futures prices for all three are up more than 60 percent over lows earlier this year, Sanow said.

"There are billions going into the commodity markets," Sanow said.

The Intercontinental Exchange, which operates futures exchanges for oil and agricultural commodities, reported a 26 percent increase in volume for 2010 compared to last year.

Supermarkets can hold down prices for only so long.

"Retailers' margins have been cut for the past 13 months. They have been trying to buy more efficiently and cutting back on labor costs. If food prices are going up, at some point they will have to start passing those along," Todd said.

So far, Publix Super Markets has absorbed increased costs for commodities, spokeswoman Kim Jaeger said.

"We manufacture our own milk for our South Florida stores right here in Deerfield Beach as well as source our eggs from Florida," Jaeger said. "This allows us to keep our transportation costs down."

The food price increases mean that the tried-and-true money savers are more in vogue than ever. Using coupons, buying store brands, comparing prices, buying only what's needed, shopping your pantry and sticking to a budget are nothing new, but can make a difference.

For Pamela Rattray, who manages a small group home in West Palm Beach, smart shopping is essential. She checks ads before venturing out to purchase breakfast and dinner items for the residents who are at their jobs during the day. She's noticed increases in bread, butter, eggs, cheese and Cream of Wheat.

On a recent trip to Walmart in suburban West Palm Beach, her cart was filled with healthful foods such as cereal, fresh broccoli and oranges.

"Don't buy junk food," Rattray said. "You don't need it."

Find this article at:

 [Print this page](#)  [Close](#)

<http://www.palmbeachpost.com/money/25-percent-more-for-butter-rising-food-prices-1100778.html>