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Food prices jump most in 36 years, from beef to eggs to butter

BY FRANCINE KNOWLES Staff Reporter/fknowles@suntimes.com Mar 17, 2011 11:42AM

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Story Image

Meat manager Mike Watson stocks the shelves at a Kroger Co. supermarket earlier this month in Cincinnati. Wholesale food prices increased 3.9 percent from January to February. | Al Behrman~AP

If you're feeling sticker shock from higher grocery prices, it's not your imagination, and no relief is in sight.

Wholesale food prices spiked 3.9 percent in February from January, the biggest jump in 36 years, the Labor Department said Wednesday.

Most of the increase was because of a sharp rise in vegetable costs, but meat and dairy prices also jumped. Harsh winter freezes in Florida, Texas and other Southern states damaged crops, driving up vegetable prices. Meanwhile global prices for corn, wheat and soybeans have risen sharply in the past year. That has raised the price of animal feed, pushing up the cost of eggs, beef and milk at the wholesale and consumer level.

Corn prices are up 59.4 percent from last year. Wheat is up 81 percent, and soybeans are up 29 percent, said Ephraim Leibtag, deputy director for research at the U.S. Department of Agriculture's Economic Research Service.

At the consumer level, some grocery prices have already risen over the past year, according to the Labor Department's January Consumer Price Index.

- Steak, up 9.8%
- Eggs, up 4.5%
- Butter, up 19.6%
- Citrus fruit, up 10.6%

The USDA forecast says consumer food prices will rise 3 to 4 percent this year.

The wholesale price report comes ahead of a Labor Department report on consumer prices, due out today, forecast to show overall prices rising 0.4 percent in February. The January report showed sharply higher year-over-year price increases for several foods, including citrus fruit, up 10.6 percent; pork, up 9.9 percent; ground beef, up 9.9 percent; coffee, up 4.9 percent and potatoes, up 5.9 percent. Those increases preceded the recent run-up in oil prices that drove gasoline prices higher amid unrest in Egypt and Libya. The higher energy costs will also affect grocery prices, Leibtag said.

"We have seen higher oil prices. Not all of that has come through yet. There's still more to come," Leibtag said of grocery price increases.

But Brian Todd, president of the nonprofit Food Institute, said whether the higher gas prices will translate into even higher grocery prices for consumers will depend on how long the spike in gas prices lasts. Retailers have focused on cost-cutting and are concerned about passing price increases on to consumers, he said.

"They are very cognizant of the fact that consumers are very budget conscious and they have many options to take their business to alternative retailers — their competitors," he said. "That plays a major role in them holding increases to a minimum level or not passing them on at all."

Still, the higher wholesale prices are bringing visible changes. Wendy's, which is paying higher prices for tomatoes, now puts them on hamburgers only by request. Starbucks and Dunkin' Donuts have raised prices because they're paying more for coffee beans.

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