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Retail Food Prices Up at Beginning of 2008

WASHINGTON, D.C., March 27, 2008 – Retail food prices at the supermarket increased in the first quarter of 2008, according to the latest American Farm Bureau Federation Marketbasket Survey. The informal survey shows the total cost of 16 basic grocery items in the first quarter of 2008 was \$45.03, up about 8 percent or \$3.42 from the fourth quarter of 2007.

Of the 16 items surveyed, 11 increased, four decreased and one stayed the same in average price compared to the 2007 fourth-quarter survey. Compared to one year ago, the overall cost for the marketbasket items showed an increase of about 9 percent.

A 5-pound bag of flour showed the largest retail price increase, up 69 cents to \$2.39.

Other items that increased in price were: cheddar cheese, up 61 cents to \$4.71 per pound; corn oil, up 58 cents to \$3.01 per 32-oz. bottle; a dozen large eggs, up 55 cents to \$2.16; vegetable oil, up 38 cents to \$2.63 per 32-oz. bottle; mayonnaise, up 22 cents to \$3.14 for a 32-ounce jar; Russet potatoes, up 18 cents to \$2.47 for a 5-pound bag; a 20-oz. loaf of white bread, up 16 cents to \$1.78; apples, up 13 cents to \$1.40 per pound; whole fryer chickens, up 9 cents to \$1.37 per pound; and ground chuck, up 4 cents to \$2.73 per pound.

Bacon was the only item in the survey that stayed the same in price, at \$3.35 per pound.

Items that decreased in price were: whole milk, down 10 cents to \$3.81 per gallon; pork chops, down 8 cents to \$3.31 per pound; a 9-oz. box of toasted oat cereal, down 8 cents to \$2.97; and sirloin tip roast, down 5 cents to \$3.80 per pound.

“More than a third of the increased cost reported this quarter is attributed to the two oil products and mayonnaise, which is oil-based. As expected, the drop in price for vegetable and corn oil observed in the last quarter of 2007 appears to have been temporary,” said Jim Sartwelle, an AFBF economist. “Continued strength in the wheat and cheese markets also contributed to the overall price increase for the basket of items.”

In addition, “It is important to note the contribution of runaway energy prices to the retail cost of food,” Sartwelle said. “Transportation, processing, and packaging all cost significantly more now than in prior years.”

As retail grocery prices have increased gradually, the share of the average food dollar that America’s farm and ranch families receive has dropped over time.

“In the mid-1970s, farmers received about one-third of consumer retail food expenditures on average. That figure has decreased steadily over time and is now just 22 percent, according to Agriculture Department statistics,” Sartwelle said.

Using that percentage across-the-board, the farmer’s share of this quarter’s \$45.03 marketbasket total would be \$9.90.

AFBF, the nation’s largest general farm organization, conducts its informal quarterly marketbasket survey as a tool to reflect retail food price trends.

According to USDA statistics, Americans spend just under 10 percent of their disposable income on food annually, the lowest average of any country in the world. A total of 76 volunteer shoppers in 32 states participated in the latest survey, conducted during February.

-30-

Sidebar: Tracking Milk and Egg Trends

For the first quarter of 2008, shoppers reported the average price for a half-gallon of regular whole milk was \$2.40, up 2 cents from the prior quarter. The average price for one gallon of regular whole milk was \$3.81, down 10 cents. Comparing per-quart prices, the retail price for whole milk sold in gallon containers was about 20 percent lower compared to half-gallon containers, a typical volume discount long employed by retailers.

The average price for a half-gallon of rBST-free milk was \$3.30, up 24 cents from the last quarter or nearly 40 percent higher than the reported retail price for a half-gallon of regular milk (\$2.40).

The average price for a half-gallon of organic milk was \$3.63, up 16 cents compared to the third quarter, or approximately 50 percent higher than the reported retail price for a half-gallon of regular milk (\$2.40).

Compared to the first quarter of 2007, retail prices for regular milk in gallon and half-gallon containers rose 10 percent and 8 percent respectively during the first quarter of 2008. The average retail price for rBST-free milk rose about 10 percent as well. The average retail price for organic milk in half-

gallon containers went up and down slightly over the year and was 2 cents higher in the first quarter of 2008 compared to a year ago.

For the first quarter of 2008, the average price for one dozen regular eggs was \$2.16, up 55 cents compared to the last quarter. The average price for “cage-free” eggs increased 23 cents to \$3.00 per dozen, around 40 percent more per dozen than regular eggs.

Regular eggs increased in retail price by 38 percent between the first quarter of 2007 and the first quarter of 2008; “cage-free” eggs increased about 35 percent.