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## Food prices take bite out of budgets

Inflation, drought, freezing weather, rising cost of corn cited in 3.9% increase nationwide.

**Jerry Hirsch / Los Angeles Times**

First gas, now food. The household budget is getting no relief these days.

Prices are going up for much of what gets dumped into the grocery cart -- including cereals, bread, bacon, pork roasts, chicken, eggs, cookies, hot dogs, oranges, soda pop and dried beans.

Federal statistics show that food prices rose 3.9 percent nationally in April, and the outlook is equally chilling wherever you shop. It is happening for many reasons: inflation, drought, freezing weather, even the rising cost of corn -- highly sought after not only as ingredients for thousands of food products, but also to make ethanol.

Food prices in 2007 are increasing at their highest rate in years. "We are going to see grocery store prices to show one of the most rapid increases in the last 15 years or so," said Patrick Jackman, an economist at the U.S. Bureau of Labor Statistics.

Where a year ago shoppers saw decreases for some items, including breakfast cereals, beef roasts, pork, chicken, cheese and olives, about the only foods showing any dips in price this year are butter, bananas and frozen vegetables.

Wendy Diamond, a Ralphs shopper in Long Beach, Calif., now buys more house brands, has cut soda pop from her budget and makes bread and ice cream at home.

Even so, Diamond figures her monthly food bill for her family of six -- her and her husband, three children and a grandparent -- has risen by at least \$100 to \$400 from a year ago.

Hard freezes in California, Florida and other states are one contributor to the run-up in prices, especially for produce, but that's easing as farmers plant new vegetable crops to replace what was damaged.

### Fuel, grain the problem

The real problem, according to food manufacturers and supermarket executives, is the run-up in fuel prices and the cost of grain, which has soared as an ever growing amount of corn is diverted to make ethanol to mix with gasoline.

"Corn prices have moved up significantly as demand for ethanol taps supplies .... which will impact overall inflation levels throughout the year," Jeff Noddle, chief executive of Supervalu Inc. reported to shareholders last month. Supervalu owns Albertsons, Cub Foods and other grocery stores.

The price of a bushel of corn has jumped 46 percent to \$3.66 over the past 12 months and earlier this year topped \$4, according to DTN, an agriculture information firm in Omaha, Neb.

"It has been a remarkable run," said Michael Swanson, an agricultural economist at Wells Fargo & Co.

Swanson said corn is the culprit for his estimate that food inflation will reach the 4 to 4.5 percent range this year, the highest since 1990.

That's because corn is the building block for much of the American food supply.

It is what dairy cows eat to make milk and hens consume to birth eggs. Its fattens cattle, hogs and chickens before slaughter -- depending on the animal it takes anywhere from 2.5 to 6 pounds of feed corn to produce a pound of meat. Corn syrup is the third-largest ingredient in Heinz ketchup and is the sweetener that goes into soda pop and hundreds of other food items.

Corn also is the building block of the 7 billion gallons of ethanol made in the United States this year, a figure that is on its way to 14 billion gallons by 2011, according to estimates by Iowa State University.

"We are going to see phenomenal growth" in the amount of corn going into ethanol, said Bruce Babcock, an economist who directs the Center for Agricultural and Rural Development at Iowa State.

Ethanol now gobbles 18 percent of the domestic corn supply, up from just 10 percent in 2002, Babcock said.

The growth of ethanol production is spurred by its status as a renewable fuel and a 51-cent-a-gallon tax credit for buyers who blend it with gasoline.

As farmers discover just how golden corn has become, they are replanting fields formerly devoted to wheat, soy and other foods with corn, driving up the price of even more food commodities. Soy is up 28 percent to \$7.41 a bushel, DTN said.

Meanwhile, smaller than expected crops in the U.S. and Australia has pushed the price of wheat up 22 percent to \$4.80 a bushel from a year ago. That's why shoppers are paying more for bread and other baked goods.

### Costlier eats

The increases in food prices nationally in the past year:

Milk: Up 3.2 percent

Pound of oranges: Up 34.1 percent

Ground beef: Up 2.7 percent

Chicken: Up 5.5 percent

Coffee: Up 4.9 percent

Prices lower: Butter, bananas and frozen vegetables.

Source: Federal statistics

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