

ISU experts predict rise in 2013 grocery prices to reflect today's high grain costs

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ISU experts predict that current high grain prices will cause grocery costs to peak next year. Photo: Robert Elbert

(Phys.org)—Americans can expect to pay more for groceries due to high commodity prices driven by this year's drought, but food prices likely won't hit their peak for a few months, said ISU grain market and agricultural experts this week.

Corn [prices](#) have soared throughout the summer due to the historic drought that has withered much of the nation's prime farmland, which has driven up feed costs for livestock and [poultry producers](#). Those high prices will be passed onto consumers in the form of increased costs at the [grocery store](#), but it will take several months for those increases to show up on store shelves, said Chad Hart, an ISU Extension and Outreach grain markets specialist and associate professor of economics.

"Today's commodity prices won't show up in food prices until six to nine months from now usually," Hart said. "It takes time for the high corn and soybean prices that we see today to interact with what we pay at the grocery store. The [food prices](#) that we see right now are reflecting [commodity prices](#) from a few months ago."

Much of that delay stems from the time it takes producers to raise animals. Many of the cattle, hogs and poultry that are fed corn sold at today's prices won't be ready for slaughter until 2013. Consumers will start to feel the impact of current grain prices when meat from those animals starts appearing behind grocery store meat counters, Hart said.

The U.S. Department of Agriculture predicts overall grocery prices to increase between 3 and 4 percent in 2013 compared to this year. That would be a faster-than-usual increase and something consumers should be prepared for, Hart said. Beef and veal prices are expected to rise between 4 and 5 percent and pork is projected to increase between 2.5 to 3.5 percent, according to the USDA food price index forecast.

Shane Ellis, a field specialist for the Iowa Beef Center at Iowa State, said retailers will increase the price of choice cuts of beef incrementally during the last quarter of 2012 and into 2013 rather than make large jumps in price that could scare consumers out of purchasing meat.

"They don't want to sticker-shock customers with huge price increases,"

Ellis said. "They'll keep it consistent and gradual."

Ellis said choice cuts of beef have cost slightly more than \$5 per pound in recent months but could peak around \$5.50 in 2013.

But high [corn prices](#) will drive up the cost of items throughout the grocery store – not just meat, milk and eggs. Corn is widely used as a sweetener and an oil, for instance, and it's difficult to find a shelf in a grocery store that doesn't include a product with some sort of corn-based ingredient.

That means consumers should be prepared for price bumps in a wide range of processed foods, said Roger Elmore, an ISU Extension and Outreach corn specialist and a professor of agronomy.

"It's amazing going through your pantry and taking note of everything that has [corn](#) in it," Elmore said. "And the list is getting longer all the time."

Provided by Iowa State University

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