

Study finds food price system in U.S. working 'pretty well'

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Standing in the dairy aisle, hand on a gallon of milk, a consumer might wonder why reports of falling dairy prices aren't reflected in a lower price on the milk he's eyeing in his neighborhood grocery.

And in part, that consumer would be right: A new University of Florida study that examines 100 food commodities shows that price changes can take several months to be reflected at the consumer level.

But overall, the study showed that price-change signals are accurate, and more important, are not arbitrary, said Ronald Ward, an emeritus professor in agricultural marketing with UF's Institute of Food and Agricultural Sciences.

"The bottom line of this paper looks at, 'Do the (price) signals get passed through the system, do they differ when prices are rising or falling, and are these linkages changing through time?' " he said. "And really, our bottom line is that the system seems to work pretty well."

In a study to be published in the August issue of the journal Food Policy, Ward and postdoctoral researcher Hyeyoung Kim tracked 100 commodities over what were deemed the short-term (one month) and long-term (four months). They divided the foods into five categories: grain and oil crops, meats, poultry and eggs, dairy and fruits and vegetables.

They looked at whether price-change signals moved as quickly for

decreasing prices as they did for increasing prices. And they looked at the system in its entirety over the time span from 2000 to 2009.

In a free-market system, pricing is important, Ward said, and effective government food policies rest on the assurance that price-change signals are based in reality as they move from producer to retailer.

Among the study's findings:

- The fruits and vegetables category differed the most from the other categories, likely, Ward said, because its products are the most perishable. Price decreases for fruits and vegetables tend to pass through the chain more quickly than price increases.
- The price-change signal for beef is not as strong as it was a decade ago, a phenomenon Ward attributes to a more concentrated number of beef processors in the industry having more control over prices.
- In one month's time, price changes had not made their way through any of the five commodities the researchers studied, although fruits and vegetable price changes were shown to be quickest. In four months' time, however, grain and oil prices reflected all price-change information while meat and dairy [prices](#) were much slower to reflect price changes
- And in the years from 2000 to 2009, the researchers found that dairy goods have begun to respond more quickly to price changes.

Provided by University of Florida

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