Faced with sharply higher gasoline and energy prices, food shoppers are seeing some relief at the grocery stores which is good news for this year’s holiday meals in November and December. The food price increases so far in 2005 are much smaller 2004 due in large part to abundant supplies of many food products that had been in short supply last year.

Food and beverage prices are increasing at a rate of 2.5% this year, compared to last year’s rise of 2.6%. Retail food prices this fall are rising at a slower pace than the prices of other goods and services. Grocery store food prices are increasing at 2.1%, which is slower than the prices of food eaten away from home which are increasing at 3%. Grocery store price increases are smaller than restaurant price increases, making dining at home a money-saving strategy.

One of the reasons for the small food price increases this year is that dairy and beef prices are much lower than last year. Overall prices in the dairy sector have declined 1.2%, with an 8% decline in butter prices and a 0.5% decline in whole milk prices. Prices in the beef and veal category have been falling since May, and are now only 0.5% higher than last year. One area where food shoppers will see higher prices is oranges and grapefruit. This year, early estimates indicate that hurricane Wilma has damaged about 17% of the Florida citrus crop.

There will be adequate supplies of holiday-favorite turkeys. Turkey production is slightly above last year’s levels, with Indiana as the 7th largest turkey producer. Wholesale prices for turkey are above last year’s level due to strong growth in export demand from China, Hong Kong, and continued strong demand from Mexico. Whether the higher wholesale prices translate into higher retail prices depends on individual retailer pricing decisions. The actual price you pay will vary depending on whether you purchase whole or turkey parts; frozen or fresh birds; fresh, precooked, or complete turkey meals; brand names; and the value of store coupons and price specials. More stores are offering free-range and organic turkeys at premium prices. Fresh birds will be priced higher than frozen birds, and the price of fresh birds is more sensitive to increases in wholesale prices. Turkey is often priced as a loss leader, and many stores will feature turkeys at below cost or offer special prices for frequent shoppers or large birds. Retail turkey prices typically fall from August to December as a result of increased supplies and feature pricing.

To complete the traditional Thanksgiving meal, cranberry supplies will be up about 5 percent from last year. New Jersey, Oregon, Washington, and Wisconsin had substantial increases in cranberry production with only Massachusetts having a lower production. Sweet potato supplies should be adequate due to higher yields in North
Carolina. White potato acreage in 2005 is at a record low, with harvested acres at 1957 levels. As a result prices for white potatoes are up about 8% this fall.

The major cost increases are in the energy sector so that it will cost more to prepare and cook Thanksgiving dinner this year. We will be paying about 55% more for gasoline to travel this holiday. Natural gas prices are 25% higher than last fall, while electricity prices are only 7% higher.

Although Americans eat very well, spending only 10% of their average income for food, there are many this year who find their budgets tightened by unemployment, minimal wage increases, higher energy prices and continued erosion of fixed incomes by inflation. For these, any food price rise is significant. We should remember those who are less fortunate and share our food bounty.

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