



THE FOOD  
INDUSTRY  
ASSOCIATION

# FOOD PRICES 101

Explaining Pricing and Consumer Purchasing Power in an Inflationary Economy

March 2022



# CHALLENGES FACING THE FOOD RETAIL INDUSTRY

## The Food Retail Sector Continues To Cope With A Variety Of Challenges



Shifts in consumer shopping and consumption habits



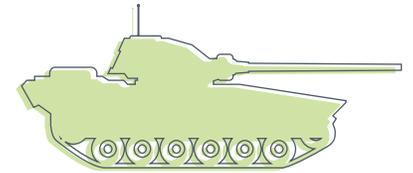
Disruptions to the global supply chain



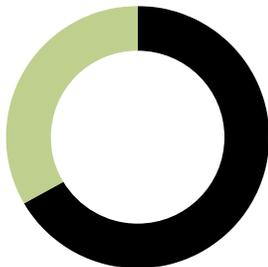
Inflationary pressures that have increased costs for production, distribution, and retail



Labor challenges, including high turnover and difficulty recruiting new talent



Impact of Russia's Invasion of Ukraine on the global supply chain



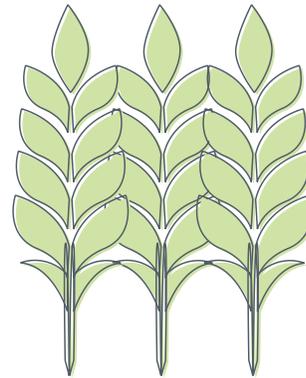
**Two-thirds** of Americans say that they have felt the impacts of inflation. The biggest impacts have been felt at the grocery store and the fuel pump.

# COMPOUNDING ISSUES: RUSSIA'S WAR ON UKRAINE

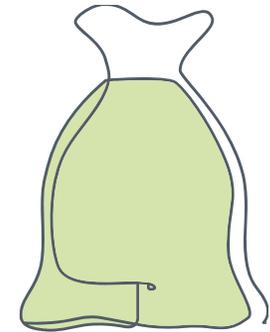
When the cost of raw materials go up, the price of the products they are used to make increases.



Russia's invasion of Ukraine could have significant impacts on the food and agriculture sector



Russia and Ukraine account for **29%** of the global wheat export market and **75%** of the global sunflower oil export market.



The price of fertilizer could also increase.

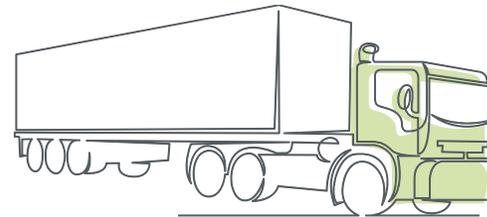
**2022 should be a good year for U.S. wheat producers**

# EVOLVING FOOD RETAIL ENVIRONMENT PRESENTS CHALLENGES & DRIVES CHANGE

Initial demand for groceries jumped **50%** at the start of the pandemic to unprecedented levels.



The shift in consumer demand has evolved from short-term stocking-up to broader lifestyle changes like shoppers cooking more meals at home.



Persistent demand has resulted in some out-of-stock items in the short-term, but this dynamic is largely related to transportation challenges – like shortages in trucking capacity and drivers – not a lack of food in the system.

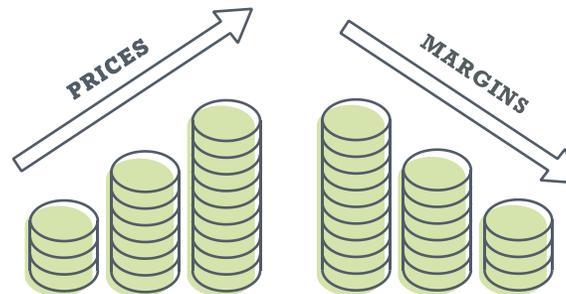
# FOOD RETAILERS EMPATHIZE WITH SHOPPERS AND ARE DOING EVERYTHING POSSIBLE TO KEEP PRICES LOW DESPITE INFLATION

## Food Retail Industry Profit Margins



**1% – 2%**

Competition in the grocery sector is fierce, which keeps prices down



Inflation has also caused prices for producers to increase, causing food retail margins to shrink

# FACTORS THAT IMPACT FOOD PRICES

A variety of factors are contributing to elevated food prices in 2022, although the cost of most staples has fallen from their pandemic highs.



## Consumer Price Index For Food



## Average Household Grocery Spending



## USDA ERS Predicted Food Prices For 2022

- Food-at-home: ↑ Up 1.5% - 2.5%
- Food-away-from-home: ↑ Up 3.5% - 4.5%

# VALUE OF THE DOLLAR

Americans have access to a food supply that is abundant and affordable. Not only are we purchasing more food for less, but we are also spending less of our income on food.

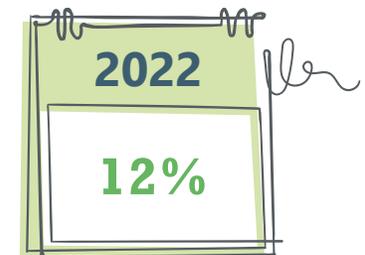
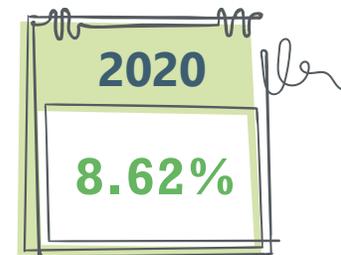


## Spending on food proportional to income has declined for decades

Average share of per capita income spent on food



Since 2000, share of income allocated to food = **10% - 12%**



# THANK YOU



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