

Food inflation isn't in every grocery aisle

Posted by [Nin-Hai Tseng, writer-reporter](#)
February 9, 2011 5:00 am

It's getting more expensive to eat around the world. But there are bright spots -- a few food staples have remained relatively steady in price even as inflation sweeps the globe.

It's time to stock the fridge -- these prices are going higher.

At the start of this year, global food prices hit a record high, according to the United Nations. The trend is worrisome – not only for the millions of unemployed Americans struggling to recover from the latest economic recession, but particularly in developing countries where the vast majority of people spend relatively more on food – more than half their income in some parts.

Whereas higher prices could hamper economic recoveries in the U.S. and other parts of the developed world, it could have much graver consequences in poorer nations. Escalating prices in 2007 and 2008 led to protests in several countries such as Haiti, Cameroon and Bangladesh. It's beginning to happen again. Last month, Algerians rioted over skyrocketing food prices, while the political unrest in Tunisia -- fueled in part by high inflation -- spilled over into Egypt, Yemen and Jordan.

And the blame game has already begun, pitting world leaders of advanced economies against developing nations over the *real* culprit of inflation. Finance ministers from Brazil and other countries blame America's monetary policy for driving up prices, a view that's echoed by many economists. But Federal Reserve Chairman Ben Bernanke last week [**defended his aggressive bond-purchasing program**](#) to jumpstart the U.S. economy, saying instead that higher demand from those countries experiencing rapid economic growth was the real source of inflation. And then there's UN Food and Agriculture Organization senior economist Abdolreza Abbassian, who

says that bad weather during the critical growing and harvest season is the main suspect.

Food prices rose in January for the seventh month in a row, according to [the U.N. Food and Agriculture Organization](#). Its monthly food price index rose to 231 points, up 3.4% from December 2010 and the highest level since the index started tracking prices in 1990.

Prices are forecast to go even higher later this year. But while the increase so far has been driven by higher global prices for cereal, sugar and vegetable oils, not all prices have surged. A few unlikely staples have either seen price declines, have held steady, or are still below their recent peaks.

Here are a few areas of the grocery store where you might not feel such a shock -- yet:

Rice

It's one of the most important staple foods for a large segment of the world's human population. And next to corn, it's the grain that's most widely produced in the world. But unlike corn, which saw a 4% jump in global prices during the month of January, export prices for rice actually declined by some 4% during the same period, according to the UN. This followed improved harvests in major producing Asian countries such as Thailand, the world's biggest rice exporter. The benchmark Thai export price averaged \$542 per ton, about 10% lower than a year ago and 44% below its peak price in May 2008.

To be sure, domestic prices for rice have actually risen in parts of Asia. In Indonesia, for instance, prices reached record levels, surging about 31% higher in December 2010 than they were a year ago after domestic production [failed to meet demand](#) (score one for Bernanke). But for the rest of the world, prices have generally moved downward.

Dairy

In 2009, the price of milk and other dairy products plunged as world demand fell at the height of the global recession. While lower prices were good news for penny-pinching consumers, America's approximately 67,000 dairy farmers suffered losses. Prices since 2010 for everything from milk, cheese, ice

cream and butter have rebounded – albeit slowly – as the economic outlook improves. In the United States for instance, [dairy prices in December 2010](#) [rose](#) by 0.4% over the previous month and were 3.7% above levels seen during the same period last year.

On a global scale, the UN's Food and Agriculture Organization Dairy Price Index averaged 245 points in January, up 3% from December and the highest since July 2008. However, prices are still about 11% below their April 2008 peak.

And in the U.S., major grocers such as Wal-Mart ([WMT](#)) and Kroger ([KR](#)) have continued to push milk prices lower even as the commodity has risen in order to remain competitive. Retail milk prices fell by 7% from January 2009 through November 2010 to average \$3.32 a gallon for whole milk -- a relief for consumers, but a big problem for [milk processors like Dean Foods](#) ([DF](#)).

Meat

Meat intake typically rises when incomes grow. But even while advanced and developing economies alike are consuming more meat, prices have so far stayed relatively steady. According the UN's Meat Price Index for February, prices remain unchanged at around 166 points -- above last year's levels but still below their 2008 peak.

But act fast, because meat prices are on the rise. Beef and pork prices have climbed in recent months, while poultry prices have remained stable. The market is dealing with the smallest U.S. cattle herd in 53 years and the smallest hog herd in four years. Prices of U.S. corn -- the main source for feed costs -- are at their highest in about 2½ years. With tighter supply and rising demand with an improving global economy, prices for beef and pork are forecast to jump even higher later this year.

For now, at least, meat prices -- especially for chicken -- haven't moved as much as other food prices. If you've got a big freezer, now may be a good time to fill it.