

LOWER FOOD PRICES AHEAD?

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By: Richard M. Blau, Nationwide Food Law Group Chair

In his weekly economics blog post for the *New York Times*, economist and Nobel Prize laureate @PaulKrugman suggested that inflation in America is receding faster than most people realize:

Thursday's [report on consumer prices](#) was really good news. I mean, really, really good news. The overall Consumer Price Index actually fell slightly for the month of December. We can and should downplay that number, because it was driven in part by special factors like a plunge in gasoline prices and because monthly data are noisy. But even when you try to filter out the noise by excluding more volatile prices and looking at averages over several months, you get a picture of rapidly slowing inflation. Read Professor Krugman's full posting at: [here](#).

Many are skeptical of economists and their tea-reading exercises at wage and price prognostication. But sometimes, they understand data that the rest of us do not even see, much less analyze. And to extend Professor Krugman's observations to the world of agriculture, here are a few pieces of data worth thinking about:

- Food inflation overall is down for the fourth month in a row, dipping to an annualized rate of 10.4 percent;
- Beef prices are now lower than a year ago;
- The 0.3 percent increase in food prices during December was the smallest in almost two years.

A report on changes to the Consumer Price Index released on January 12, 2023, by the U.S. Bureau of Labor Statistics confirmed that food-related inflation is decreasing. Specifically:

The overall food index increased by 0.3 percent in December, following a 0.5 percent increase in November. The food-at-home index rose by 0.2 percent in December. Three of the six major grocery store food group indexes increased over the month. The index for meats, poultry, fish, and eggs increased by 1.0 percent in December, as the index for eggs rose by 11.1 percent. The index for other food at home rose by 0.4 percent over the month, while the index for nonalcoholic beverages increased by 0.1 percent in December.

In contrast, the fruits and vegetables index fell by 0.6 percent over the month with the fresh fruit index declining by 1.9 percent. The index for dairy and related products decreased by 0.3 percent in December and the index for cereals and bakery products were unchanged.

The food-away-from-home index rose 0.4 percent in December after increasing 0.5 percent in November. The index for limited-service meals increased by 0.5 percent over the month, and the index for full-service meals increased by 0.1 percent.

The food-at-home index rose 11.8 percent over the last 12 months. The index for cereals and bakery products rose 16.1 percent over the year. The remaining major grocery store food groups posted increases ranging from 7.7 percent (meats, poultry, fish, and eggs) to 15.3 percent (dairy and related products).

Table A. Percent changes in CPI for All Urban Consumers (CPI-U): U.S. city average

	Seasonally adjusted changes from preceding month							Un-adjusted 12-mos. ended Dec. 2022
	Jun. 2022	Jul. 2022	Aug. 2022	Sep. 2022	Oct. 2022	Nov. 2022	Dec. 2022	
All items	1.3	0.0	0.1	0.4	0.4	0.1	-0.1	6.5
Food	1.0	1.1	0.8	0.8	0.6	0.5	0.3	10.4
Food at home	1.0	1.3	0.7	0.7	0.4	0.5	0.2	11.8
Food away from home (not seasonally adjusted)	0.9	0.7	0.9	0.9	0.9	0.5	0.4	8.3

Make no mistake: the last year dealt with extraordinary inflation in our economy's food sector. The food-away-from-home index rose 8.3 percent over the previous year. The index for full-service meals rose 8.2 percent over the last 12 months, and the index for limited-service meals rose 6.6 percent over the same period. But, as the data above make clear, ***that unbearable rate of inflation is receding!***

This may support Professor Krugman's observation that just as inflation rose relatively quickly in 2020-2021, it appears to be descending reasonably rapidly as well:

Actually, at this point inflation is looking somewhat transitory, although it went much higher for much longer than I, at least, considered possible. But one of the ways I and others argued for transitoriness aged poorly. For a while we kept excluding particular parts of inflation that looked idiosyncratic, arguing that what remained looked OK. But the range of goods and services experiencing high inflation kept widening, and we were eventually forced to concede that this was an economywide problem.

Now, however, the upper hand is on the other foot, with inflation pessimists probably making the same mistakes inflation optimists were making a year and a half ago.

Whether prices proceed on this projection will be influenced by various factors – weather, harvests, export trade negotiations, transportation, logistics challenges, *etc.* Still, it's not bad news for a change, and that's a good thing for all of us.

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