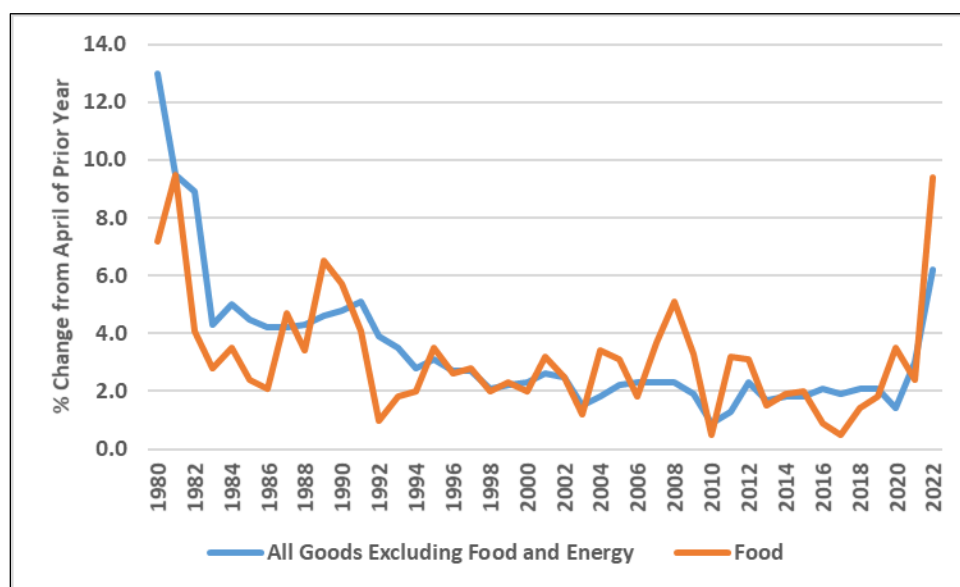


U.S. Food Price Inflation and Agriculture Policy

June 3, 2022

U.S. food price inflation has accelerated in 2022 (**Figure 1**). The U.S. Consumer Price Index (CPI) for food **rose by 9.4%** between April 2021 and April 2022, the largest 12-month increase between consecutive Aprils since 1981. Current food price inflation can be due to general inflationary pressure on the economy as well as food-specific factors, which may vary by the type of food. Rising food prices present challenges for many U.S. consumers, particularly low-income consumers.

Figure 1. Inflation for Core and Food Price Indices, 1980-2022



Source: CRS using data from the U.S. Bureau of Labor Statistics, downloaded on May 6, 2022.

Notes: Values are measured as the percentage change between Aprils of each year. Core inflation measures the change in prices for all goods excluding food and energy.

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Food Price Inflation and Effects on Consumers

U.S. consumers experienced unusually large year-over-year food price increases between April 2021 and April 2022 (**Table 1**). Prices increased for all categories of food purchased for home consumption as well as for food consumed away from home.

Table 1. Consumer Food Price Inflation in the United States by Selected Food Category

Retail Food Price Category	Subcategory	Change from April 2021 to April 2022	20-Year Historical Average Annual Price Change
Food purchased for home consumption		10.8%	2.0%
	Eggs	22.6%	3.2%
	Fats and oils	15.3%	2.3%
	Poultry	15.3%	2.3%
	Beef and veal	14.3%	4.4%
	Pork	13.7%	2.2%
	Fish and seafood	11.9%	2.7%
	Cereals and bakery products	10.3%	2.1%
	Nonalcoholic beverages	9.8%	1.4%
	Dairy products	9.1%	1.7%
	Sugar and sweets	8.0%	2.1%
	Fruits and vegetables	7.4%	2.0%
Food consumed away from home		7.2%	2.9%
All food		9.4%	2.4%

Source: USDA Economic Research Service (ERS), Consumer Price Index, Changes in Food Price Indexes, 2019 through 2022, updated May 25, 2022.

Notes: Consumer price indices measure the average change in the prices paid by urban consumers for a basket of consumer goods and services.

Inflation causes consumers to spend more to purchase the same basket of groceries. Since 2000, U.S. households on average spent less than [10% of their disposable income](#) on food; however, low-income households may spend a larger share on food. In 2020, households in the lowest income quintile [spent 27%](#) on food, compared with 7% for the highest income quintile. Higher food prices may also increase [consumers' use of food banks](#) and [decrease the amount that food banks can purchase](#).

U.S. Food Supply

Most of the U.S. food supply is produced domestically. Imports accounted for [approximately 15% of the food supply](#), and relatively [more of fruits, vegetables, and seafood](#). While experts [do not expect to see food shortages in the United States](#), some food manufacturers may be impacted by supply chain issues for certain inputs such as [sunflower seed oil](#), [aluminum for cans](#), and [packaging](#). U.S. food manufacturers may also face competition from nonfood manufacturers for supplies that are used for animal feeds, biofuels, and industrial purposes.

Drivers of U.S. Food Price Inflation

Farm-level input costs and wholesale prices of commodities used in food have also experienced unusually large year-over-year price increases (**Table 2**). Many factors are contributing to inflation in the United States, including [supply and demand imbalances from the COVID-19 pandemic and higher energy prices](#). Nonfarm labor costs [increased 7.3%](#) between 2021 and 2022. Delays continue to impact [international container](#) and [U.S. rail shipments](#), leading to higher shipping costs. Additionally, Russia's invasion of Ukraine has disrupted global trade patterns, leading to higher [agricultural commodity and fertilizer prices](#) and [global food prices](#). An outbreak of highly pathogenic avian influenza is [contributing to higher prices](#) for eggs and poultry.

Table 2. Producer Price Inflation in the United States by Selected Food Category

Supply Chain Stage	Food Supply Input Price Category	Change from April 2021 to April 2022	20-Year Historical Average Annual Price Change
Farm level	Eggs	220.1%	6.9%
	Wheat	84.8%	6.9%
	Vegetables	45.7%	3.6%
	Milk	32.5%	2.7%
	Soybeans	18.1%	7.6%
	Fruits	17.3%	2.4%
	Cattle	16.8%	3.2%
Wholesale level	Fats and oils	40.5%	7.2%
	Wheat flour	40.3%	4.6%
	Poultry	24.1%	2.5%
	Dairy	20.4%	2.1%
	Beef	4.0%	4.5%
	Pork	-1.4%	2.4%
Overall	Unprocessed foods and animal feed	34.8%	3.8%
	Processed foods and animal feed	17.4%	3.5%
	Finished consumer foods	15.8%	2.5%

Source: CRS using data from USDA Economic Research Service (ERS), Changes in Producer Price Indexes, 2019 through 2022, updated May 25, 2022.

Notes: Producer price indices measure the average change in the prices received by domestic producers for their output.

Producer price inflation [may not necessarily lead to](#) higher consumer prices. Typically, on-farm activities account for [\\$0.16 out of a dollar spent on food in the United States](#). The extent to which increases in agricultural commodity costs translate into increases in consumer food prices

may vary across food categories, depending on the amount of processing and the extent that higher costs can be passed along to buyers.

Policy Considerations

On May 5, 2022, the Federal Reserve increased interest rates in an effort to decrease inflationary pressures. The effect of these monetary policy actions on U.S. food price inflation may be complicated by tight global supplies of agricultural commodities and high wholesale prices. The Federal Reserve's actions may cause the U.S. dollar to appreciate against other currencies, which could reduce demand for U.S. exports and weigh on farm-level prices.

Federal nutrition and agricultural fiscal policies target different aspects of the food economy, with indirect effects on food price inflation:

- Nutrition policy in the farm bill provides a number of programs for low-income and vulnerable consumers, including the Supplemental Nutrition Assistance Program. These improve household food security and increase food demand.
- Livestock and poultry marketing policy regulates competition in the meat supply chain. The Biden Administration has asserted that market consolidation contributes to food price inflation, and has taken action to expand processing capacity at smaller-scale facilities.
- Farm support policy provides a “safety net” to defray the cost of managing risk and encourage production, which may increase the long-term supply of inputs to the food supply chain and potentially reduce food prices. On May 11, the Biden Administration announced new incentives to increase domestic agricultural and fertilizer production, but their effects may not be realized before 2023.

Other aspects of federal policymaking—such as energy, transportation, and trade—may influence the supply, demand, and prices of food inputs, and thereby impact short-term U.S. food price inflation.

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