

March 2018 Food Price Trends

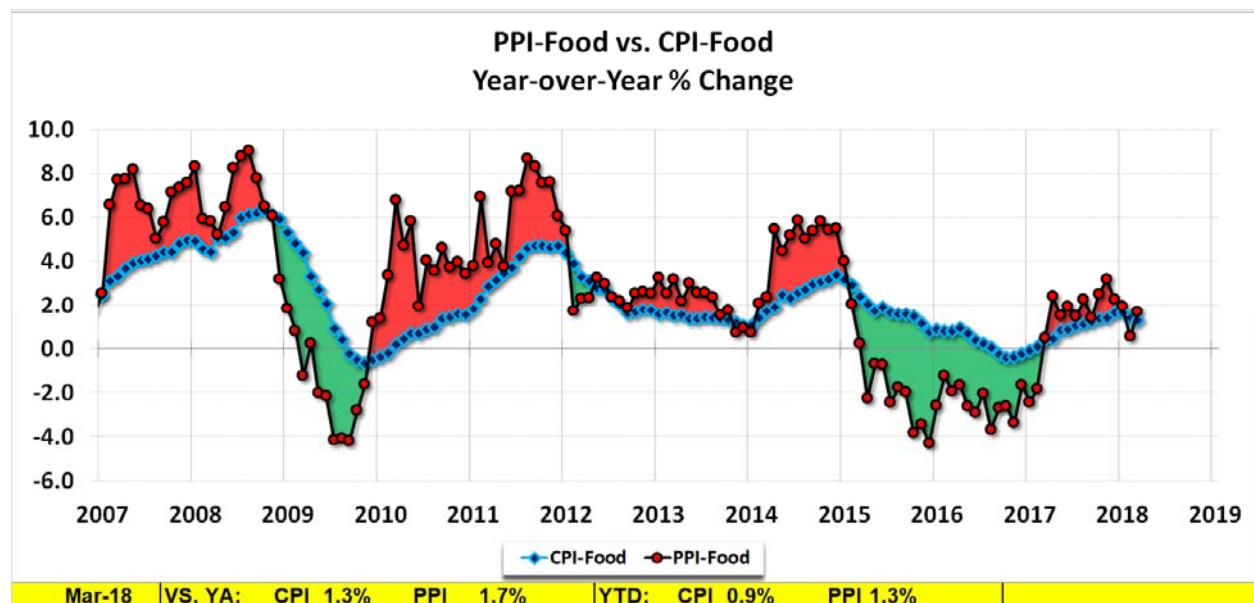
- CPI-Food rose by 1.3% from a year ago during March; PPI-Food gained 1.7%
- Underlying commodity prices are up 14% from a year ago, led by egg prices
- The Global Food Price Index declined by 1% versus a year ago
- The Chinese overall consumer price index rose by 2.1% during March (vs. YA); Chinese food prices also gained 2.1% during March

This report outlines trends in the inflation rate for food prices. It is broken out into a description of consumer food prices (CPI-Food), wholesale food prices (PPI-Food), as well as the underlying commodity prices driving food prices (the AES Food Input Cost Index).

Additionally, a recap of global food prices (UN Global Food Price Index) is included. Finally, the report concludes with a brief description of inflation trends in China.

Food price inflation indicators generally reached a low in 2016, and have started recording modest gains. This includes the AES Food Input Cost Index, wholesale food prices (PPI-Food), at-home CPI-Food prices, as well as the global food price index. At-home food prices are now above year ago levels. Higher crude oil prices, as well as declines in the value of the US dollar, are worth noting as potential bellwethers of rising rates of inflation during 2018.

The chart below compares year-over-year changes in the PPI-Food (red dots), with CPI-Food (blue diamonds). Similar gains in the CPI-Food and PPI-Food have been recorded in recent months. The tailwind experienced by the food industry, in terms of declining costs, appears to have come to an end.



CPI-Food - During March, the index of consumer food prices (CPI-Food) was 1.3% above year ago levels. Among items monitored, the largest year-over-year gain was in the price of eggs (+16%). Increases were also reported for the consumer price of beef and chicken.

The CPI-Food, representing 14% of the overall CPI, remains a “drag” on overall consumer inflation: for the past 26 months gains in food price inflation (CPI-Food) have been less than gains in the overall rate of consumer inflation. (During March, the overall CPI gained 2.4%).

At-home consumer food prices are registering year-over-year gains, but the changing landscape of the grocery industry implies more competition and increased private label offerings. The graphs below show a downward trend in the price of six common grocery store items since 2015.

(The BLS provides detail regarding the actual average price paid for a variety of items. A few of these items are detailed on the right side of the table, and in the graphs below.)

CPI-Food Detail:		March-18			
	% Change Year Ago		% Change Year Ago	Actual Price Data	% Change Year Ago
Total CPI - Food	1.3%				
Cereals/ Bakery	0.1%	Fats and Oils	0.2%	Ground Beef	\$5.37 -4%
Bread	1.3%	Sugars/Sweets	1.2%	Pan Bread	\$1.31 -2%
Breakfast Cereal	-2.4%	Salad Dressing	-1.6%	Grade A Eggs	\$1.83 30%
Rice	-0.5%	Soups	-2.0%	Whole Milk	\$2.90 -12%
Beef	2.8%	Dairy	-0.9%	Cheddar Cheese	\$5.06 6%
Pork	0.4%	Eggs	16.3%	Ice Cream	\$4.83 2%
Chicken	2.1%	Fruits/Veg.	0.3%	Grapes	\$2.60 2%
Turkey	-5.3%	Beer	1.3%	Lettuce	\$0.89 -13%
Fish	1.7%	Coffee	-1.6%	Coffee	\$4.34 -7%
Food At Home	0.4%	Food Away F. Home	2.5%		



PPI –Food: During March, the index of wholesale food costs rose by 1.7% from year ago levels. While gains have been modest, the trend in wholesale prices has turned upward.

Protein prices are mixed – wholesale beef prices are 8% ahead of a year ago, while the PPI for other proteins is about unchanged from a year ago levels. The most volatile market remains liquid egg prices, up 12% over the past month and 138% higher than a year earlier. Fresh vegetable prices rebounded by 32% over the past month.

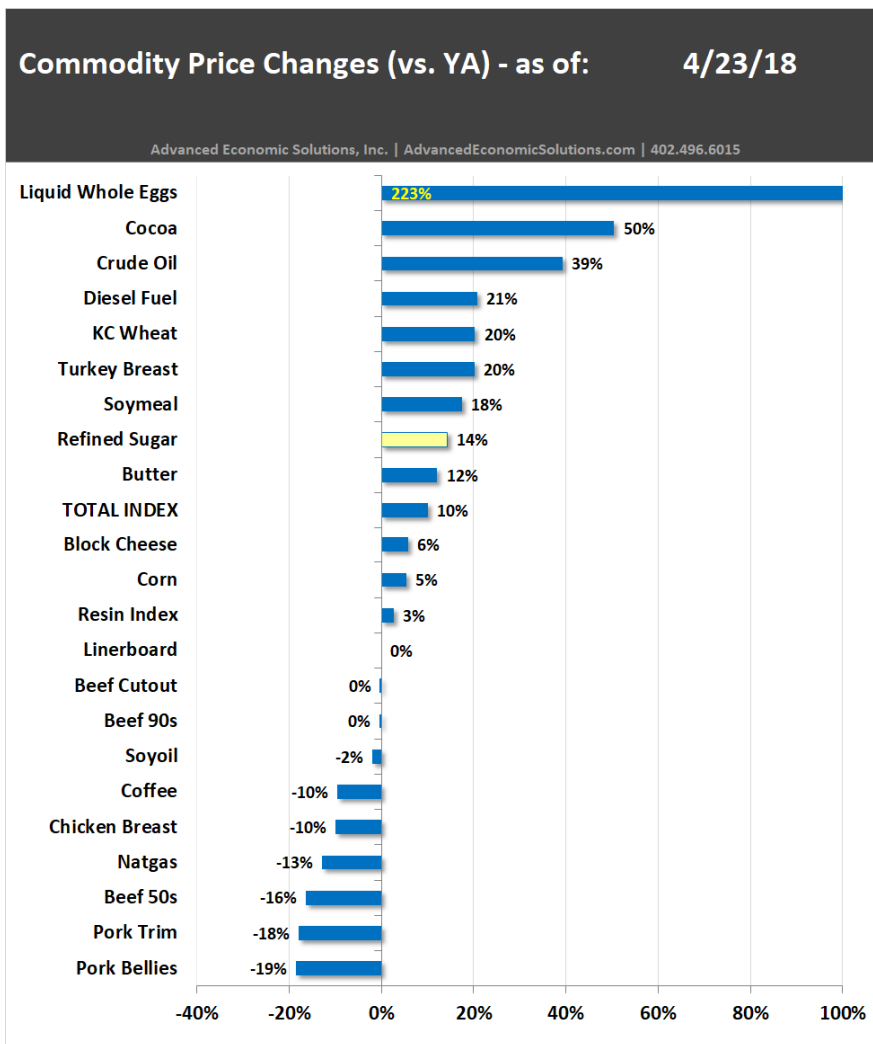
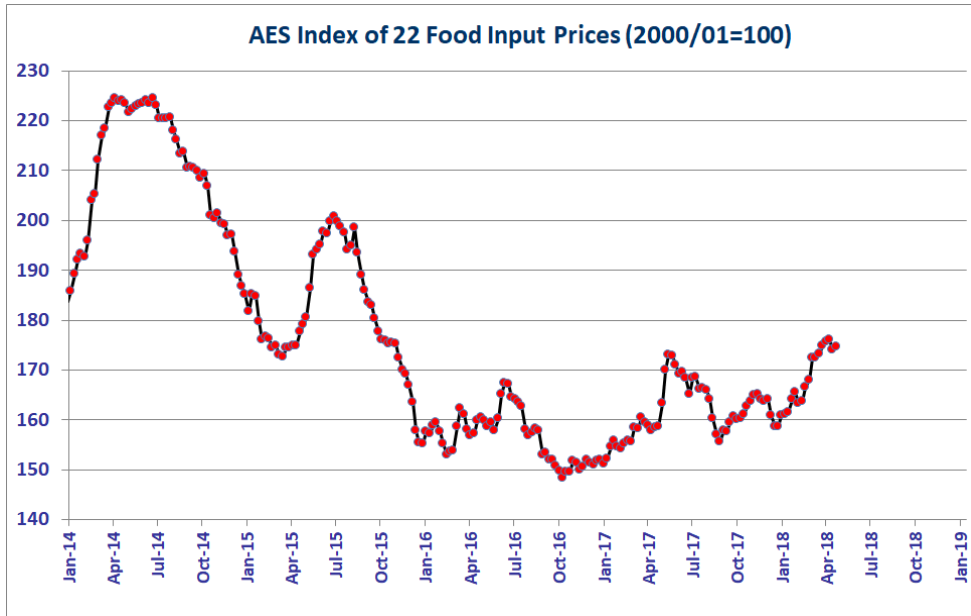
Wholesale food costs have been historically low, but are gradually moving higher. Over the next year, prices are expected to continue to rise. The rising price of crude oil over the past six months (+50%), as well as a 13% decline in the value of the US dollar, suggest there is additional upside risk to wholesale input costs during 2018.

PPI-Food Detail:			March-18		
	% Change From Last Month	% Change From Year Ago		% Change From Last Month	% Change From Year Ago
Total PPI - Food	2.2%	1.7%			
Beef	7.6%	8.2%	Bakery Goods	0.4%	2.4%
Pork	0.1%	-3.4%	Vegoil	-0.5%	0.3%
Chicken	0.7%	-5.3%	Milled Rice	1.0%	12.3%
Turkey	0.4%	-0.2%	Wheat Flour	0.8%	3.2%
Fish	-0.7%	0.2%	Pasta	0.0%	0.4%
Dairy	0.4%	-3.1%	Confectionary Items	0.1%	1.0%
Liquid Eggs	12.3%	138.3%	Refined Sugar	1.3%	8.1%
Fresh Vegetables	31.5%	3.3%	Coffee	-0.2%	0.4%
Fresh Fruits	-7.4%	-2.5%	Barley Malt	-1.2%	-5.2%
Processed Fruit/Veg	0.0%	1.5%	Soft Drinks	0.4%	0.0%
Processed Seafood	-0.7%	0.2%	Nuts/Seeds	0.4%	2.9%
Shrimp	1.6%	-7.0%	French Fries	-0.4%	0.0%

Commodity Price Trends -- The table below provides commodity price information as of April 23, 2018, along with historic comparisons. This gives an indication of commodity price trends, both short-term and longer-term. The AES index represents a weighted average of the items listed below, indexed to 2000=100.

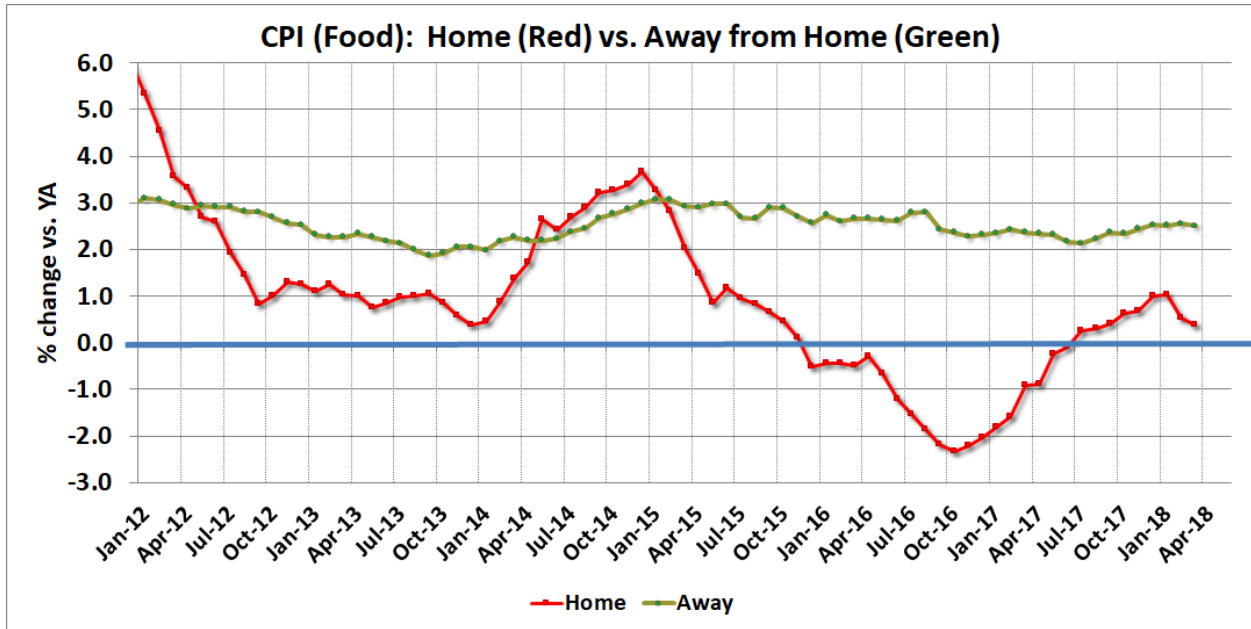
As of 4/23/18, the AES Food Input Cost Index was up 14% from a year ago. Only seven of the 22 items tracked are below year ago levels. Liquid whole egg prices have surged – up more than 3X from a depressed year ago level. By contrast, prices for pork bellies, pork trimmings and beef trimmings remain well below a year ago. Energy prices are on the rise, including sharp gains in the price of crude oil (+39%) and diesel fuel (+21%).

AES Food Input Cost Index		This Week	Last Month	6 Months Ago	Year Ago	2 Years Ago
		4/23/18	3/26/18	10/23/17	4/24/17	4/25/16
TOTAL INDEX	(2000=100)	174.6	174.9	162.8	158.6	160.5
Corn	Cents / Bu	379	374	351	359	377
Soymeal	\$/Ton	372	375	316	316	316
KC Wheat	Cents / Bu	483	468	434	402	463
Soyoil	Cents / Lb	31.0	31.5	34.6	31.7	33.9
Chicken Breast	Cents / Lb	127	143	111	141	127
Beef Cutout	Cents / Lb	219	222	222	220	216
Beef 50s	Cents / Lb	97	84	71	116	70
Beef 90s	Cents / Lb	220	219	217	221	220
Pork Bellies	Cents / Lb	92	104	98	113	123
Pork Trim	Cents / Lb	57	58	60	69	80
Turkey Breast	Cents / Lb	184	160	155	153	231
Coffee	Cents / Lb	117	118	124	130	123
Cocoa	\$/ Tonne	2746	2629	2124	1825	3113
Refined Sugar	Cents / Lb	36.0	36.0	35.5	31.5	31.0
Liquid Whole Eggs	Cents / Lb	93.6	106.0	87.0	29.0	36.0
Block Cheese	Cents / Lb	162	154	172	153	138
Butter	Cents / Lb	236	219	229	211	206
Crude Oil	\$/ BB	68.2	64.9	52.6	49.0	46.0
Natgas	\$/ MMBTU	2.82	2.73	2.89	3.24	2.08
Resin Index	(2000 = 100)	226	226	222	220	213
Diesel Fuel	Cents / Gal	3.13	3.01	2.80	2.60	2.20
Linerboard	\$/ Ton	865	865	865	865	775



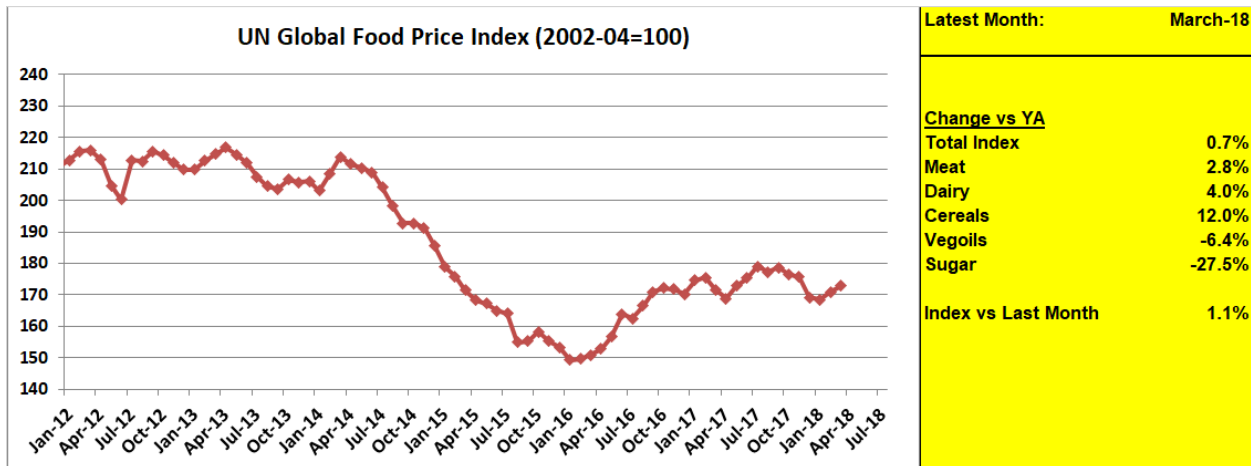
At-Home vs. Away-From-Home Consumer Food Prices

Inflation in away-from-home food prices rose by 2.5% during March, remaining in the 2.0-3.0% range observed over the past five years. Consumer food at-home inflation eased to a 0.4% year-over-year gain, with month-over-month at-home prices about unchanged.



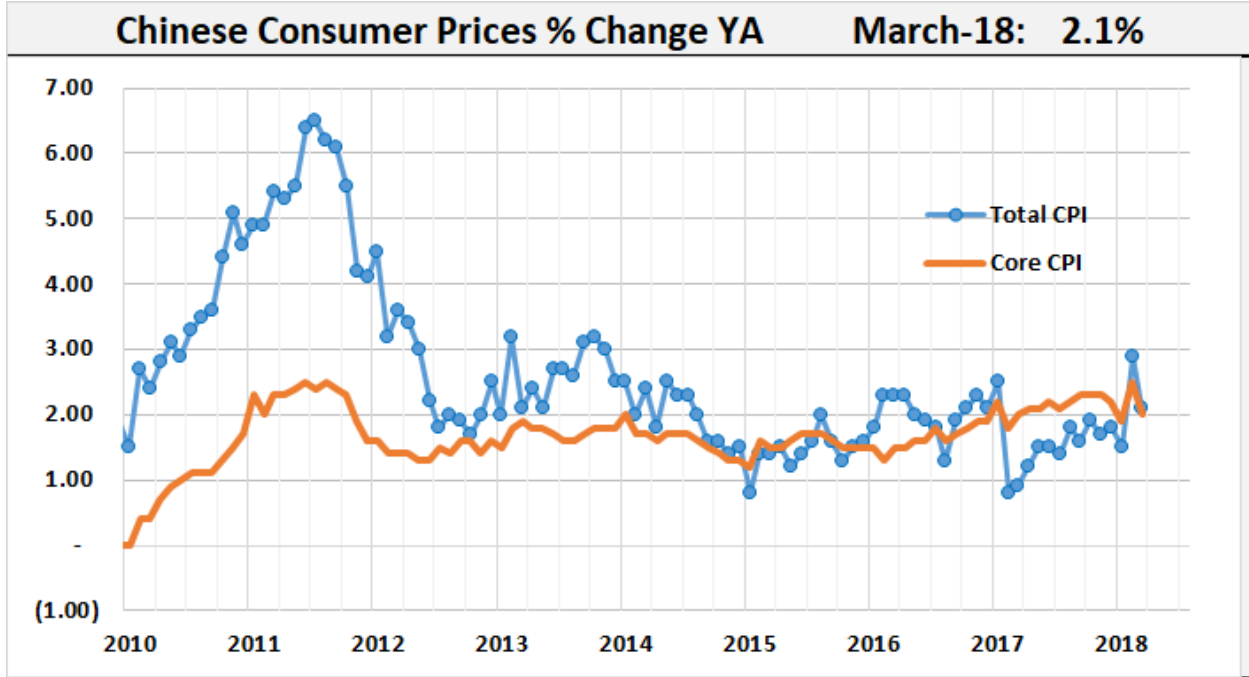
U.N. Global Food Price Index

The United Nations' monthly Global Food Consumer Price Index rose by 0.7% during March from a year earlier. Declines in the prices of sugar (-28%) and vegoils (-6%) were offset by gains in cereals prices (+12%).



Chinese Inflation

Consumer price inflation in China was reported at +2.1% (vs. YA) during March, moderating from a month ago. Core inflation (excluding food/energy) rose by a similar 2.0%. Wholesale prices (PPI) rose by 3.0%, the smallest gain in 17 months.



Chinese consumer food prices during March eased to a 2.1% gain from a year earlier.

