

Increasing Food Costs for Consumers and Food Programs Straining Pocketbooks

“Food prices putting squeeze on families” blared one headline (1), “Rise in food costs highest since 1990” (2) was reported by the Bloomberg News Service, and *The Wall Street Journal* said “Higher food costs start to pinch consumers” (3). This flurry of media interest was sparked by the greatest increase in food prices in almost 20 years.

OVERALL FOOD COSTS INCREASING

Food costs increased more in 2007 than in the past 17 years. The Consumer Price Index (CPI), the measure of change in consumer prices measured by the US Bureau of Labor Statistics, increased 4% for food in 2007 compared to 2.4% in both 2006 and 2005 (4). This was the greatest increase in food prices since 1990.

But looking solely at cost increase by the CPI does not tell the whole story. For example, despite the increase in the CPI, percent of disposable personal income spent on food by families and individuals continues to remain steady at almost 10% (5). However, this varies by income level (Figure 1), with the lowest income bracket spending 5% more on food than the highest income bracket (6).

PRICE INCREASES NOT CONSISTENT ACROSS FOOD GROUPS

Another perspective to consider is that food price increases are not equal across the different food groups. Eggs saw the greatest increase in 2007—28%—well above all other foods. Dairy products saw price increases of over 7%, and many other food categories

experienced over 4% price growth, including beef and veal, poultry, fish and seafood, fresh fruits, cereals and bakery products, and non-alcoholic beverages. Only pork and fats and oils had growth of less than 3% (7).

Recent research looking at the price changes in low- and high-calorie foods also indicate that food price increases vary by food category. Low-calorie foods (primarily fruits and vegetables) cost 20% more in 2006 compared to 2004, while calorie-dense foods including potato chips, cookies, and candy bars cost 2% less over the same 2-year time span (8).

This trend is expected to continue throughout 2008, with the CPI for food projected to increase 3% to 4%. Fresh fruits and vegetables, cereals, and dairy products will continue to have greater than average price increases, joined by fats and oil (7).

FOOD PRICES AND FEDERAL FOOD PROGRAMS

If you are feeling a pinch from increased dairy prices, imagine the impact of a program serving 30 million school meals a day—with each meal including 8 oz of milk on the tray.

The largest portion of the US Department of Agriculture (USDA) budget (59% in 2008) goes to food and nutrition programs (9). These programs, which serve nearly one in five Americans over the course of the year, provide food and nutrition education for those that meet certain eligibility requirements. Since 2001, funding for USDA food and nutrition assistance has increased by more than 70%, to \$59 billion (10).

SUPPLEMENTAL NUTRITION PROGRAM FOR WOMEN, INFANTS, AND CHILDREN (WIC): A CASE STUDY

To consider the impact of food prices on nutrition policy, let's take a closer

look at WIC. This program provides supplemental foods, nutrition education, and health care referrals for low-income, pregnant, postpartum, and breastfeeding women and infants and children up to age 5 years who are at nutritional risk.

There are two reasons that WIC provides an interesting snapshot of the impact of increased food prices on nutrition policy:

- WIC is a discretionary program, meaning that all eligible are not automatically covered to participate in the program. Funding is determined by Congress on an annual basis. Changes in funding levels or program costs have an impact on the number of people that can be served by the program.
- WIC includes select foods as part of the food package, allowing tracking of food costs over time for the same food packages. Benefits provided in the food packages have been basically unchanged for years, but food costs per person are steadily increasing (Figure 2).

Federal and state agencies have begun taking various steps to control WIC program costs, including limiting food package benefits, rationing benefits, and capping services. In December 2007, Utah began implementing additional restriction on their food packages by requiring beans instead of peanut butter, and Montana cut back on the amount of milk and eggs some participants received (11). Utah and California were preparing to ration WIC benefits by limiting eligibility in anticipation of budget shortfalls in 2008.

To account for increased program costs, the Office of Management and Budget has proposed capping nutrition services funds at 25% in the last several federal budget proposals. This cap would limit the nutrition services considered so vital to the successful

This article was written by Jennifer A. Weber, MPH, RD, manager of National Nutrition Policy, in ADA's Washington, DC, office. doi: 10.1016/j.jada.2008.02.010



Figure 1. Percent of annual expenditures on food decreases as income increases. Adapted from reference (6).

outcomes of the program and has been rejected by Congress.

WIC advocates are concerned that increasing food prices and budgetary concerns will slow implementation of the new food packages released in December 2007. These new food packages, which add fruits, vegetables, and whole-grain options while decreasing dairy and juices, were designed to be the same cost as the current food packages.

WIC is not the only example. Other federal food assistance programs are also feeling the pinch of increasing food prices.

School Meals

According to the School Nutrition Association, over 86% of school nutrition directors reported an increase in their programs' food costs for the 2006/

2007 school year. Over 60% of school nutrition directors reported that the federal National School Lunch Program reimbursement was not sufficient to cover the cost of producing a meal (12).

Food Stamps

The Food Stamp Program provides monthly benefits to low-income families to purchase foods, not food itself. Yet food costs also impact this program and its participants. Food stamp benefits are based on the cost of a USDA market basket of food, known as the Thrifty Food Plan (Figure 3). Benefits are indexed to inflation so increasing food costs increase program costs. However, in this program, much of the burden of increased food prices also falls to the program participants. The \$10 mini-

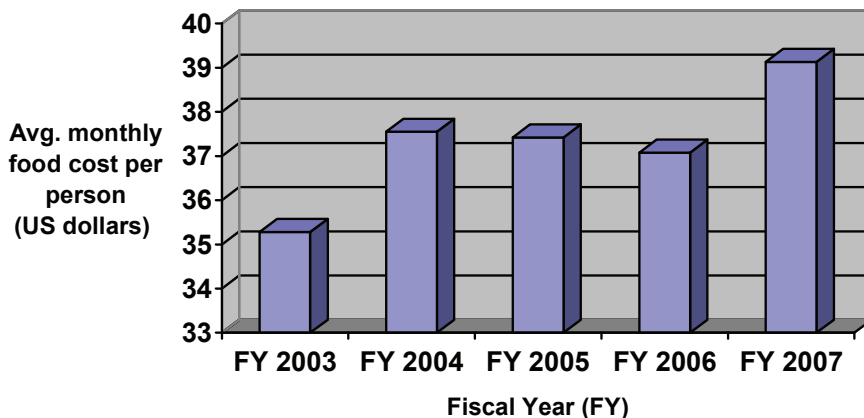


Figure 2. Increase in average monthly food cost per Special Supplemental Nutrition Program for Women, Infants, and Children participant. Adapted from the Annual Summary of Food and Nutrition Service Programs (www.fns.usda.gov/pd/annual.htm).

mum benefit has not been adjusted for inflation in 30 years. As a result, many elderly individuals, couples, and people with disabilities can purchase only one third as much food as they could when the minimum benefit went into effect.

The Emergency Food Assistance Program

The funding available for commodity purchases for The Emergency Food Assistance Program does not increase with inflation, so that food banks and their supported emergency feeding sites receive fewer resources as food prices increase. Food banks nationwide report that inventory is rapidly dwindling as federal food support declines. Strong agricultural markets (ie, food prices) have led to drastic reductions in food purchased and distributed by the federal government (13).

IMPACT OF INCREASING COSTS ON FOOD PROGRAMS

As food costs increase, administrators at the federal, state, and local level are facing tough decisions. As with the WIC example, options for addressing budgetary concerns include limiting food options, rationing benefits, or reducing administrative and education services.

Another option is to look for money from other programs. In most cases this comes from within existing food and nutrition programs. For example, at the federal level, the WIC program is competing for the same pool of funds as food safety and labeling programs at the Food and Drug Administration and USDA-funded food and nutrition research.

THE CHALLENGE AHEAD

Increased food costs are requiring consumers and governments to prioritize spending. Agencies face tough decisions about reducing benefits, limiting participation, and changing eligibility requirements to accommodate increased food costs within the current budget.

Increased food costs have a ripple effect beyond food assistance programs. Research programs and food safety activities are competing with some of the federal feeding programs for the same pool of money—putting Congress and organizations like the

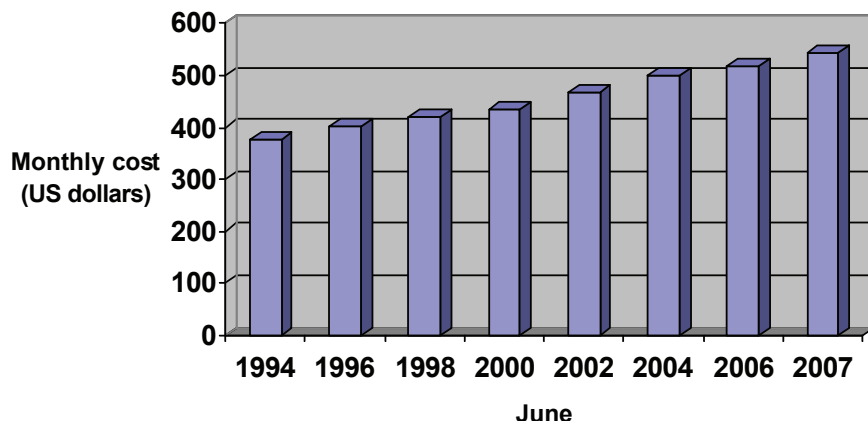


Figure 3. Cost of Thrifty Food Plan for family of four for month of June (June costs for each year are used to represent the annual average). Family of four: couple (19 to 50 years old) and two children (6 to 8 and 9 to 11 years old). Adapted from the US Department of Agriculture Food Plans: Cost of Food. Cost of Food at Home (www.cnpp.usda.gov/USDAFoodCost-Home.htm).

American Dietetic Association in the difficult position of prioritizing between necessary and foundational nutrition research, vital food safety activities, and food and nutrition services for needy women and children.

References

1. LaBounty G. Food prices putting squeeze on families. *The Sun Chronicle* Web site. <http://www.thesunchronicle.com/articles/2008/01/20/testxmlnews/2603485.txt>. Posted January 20, 2008. Accessed January 22, 2008.
2. Bloomberg News Service. Rise in food costs highest since 1990. *The Blade* Web site. <http://toledoblade.com/apps/pbcs.dll/article?AID=/20080117/BUSINESS07/801170354>. Published January 17, 2008. Accessed January 22, 2008.
3. Jargon J, Kesmodel D, Adamy J. Higher food prices start to pinch consumers. *The Wall Street Journal* Web site. <http://online.wsj.com/article/SB119932361635363833.html>. Posted January 3, 2008. Accessed January 28, 2008.
4. US Department of Agriculture, Economic Research Service. Food CPI, Prices and Expenditures: Food Expenditure Tables. Economic Research Service Web site. <http://www.ers.usda.gov/briefing/CPIFoodAndExpenditures/Data/>. Accessed January 20, 2008.
5. US Department of Agriculture, Economic Research Service. Food CPI, prices and expenditures: food expenditure tables. Table 7: Food expenditures by families and individuals as a share of disposable personal income. Economic Research Service Web site. <http://www.ers.usda.gov/briefing/CPIFoodAndExpenditures/Data/table7.htm>. Accessed January 20, 2008.
6. US Bureau of Labor and Statistics. Table 45: Quintiles of income before taxes: Shares of average annual expenditures and sources of income, Consumer Expenditure Survey, 2006. US Bureau of Labor and Statistics Web site. <http://www.bls.gov/cex/2006/share/quintile.pdf>. Accessed January 18, 2008.
7. US Department of Agriculture, Economic Research Service. Changes in food price indexes, 2004 through 2008. Economic Research Service Web site. <http://www.ers.usda.gov/briefing/CPIFoodAndExpenditures/Data/cpiforecasts.htm>. Accessed January 25, 2008.
8. Monsivais P, Drewnowski A. The risking cost of low-energy-density foods. *J Am Diet Assoc*. 2007;107:2071-2076.
9. US Department of Agriculture. FY 2008 budget outlays. US Department of Agriculture Web site. http://www.usda.gov/documents/Budget200810_75.pdf. Published February 2007. Accessed January 23, 2008.
10. US Department of Agriculture, Food and Nutrition Service. Leading the fight against hunger. Food and Nutrition Service Web site. <http://www.fns.usda.gov/fncs/hunger.pdf>. Published November 2007. Accessed January 22, 2008.
11. Tight WIC budget leads to cutbacks. *CQ Weekly*. December 17, 2007;3694-3696.
12. School Nutrition Association. *SNA 2007 Trends Report*. Alexandria, VA: School Nutrition Association; 2007.
13. America's Second Harvest. Food bank shelves go bare as federal food donations dwindle. America's Second Harvest Web site. http://www.secondharvest.org/news_room/2007_press_releases/101807.html. Published October 18, 2007. Accessed on January 20, 2008.