

**Have higher corn prices *really* driven
consumer food prices higher in the
last year?**

Deconstructing the Issue

- **Numerous recent media reports have suggested food prices have already been driven higher as a result of increased demand for corn from the ethanol sector.**
- **A look at recent retail food price data from the Bureau of Labor Statistics shows this simply has not been the case.**

What the Media is Saying

- **“High US corn prices fueling broader food inflation”** – Reuters, April 19
- **“Ethanol Race Increases Food and Oil Prices”** – WHEC, New York, April 16
- **“Ethanol Push Adds to Forces Lifting Food Costs”** – Wall Street Journal, April 15
- **“Crop prices soar, push food costs up globally”** – Salt Lake City Tribune, April 14
- **“Ethanol demand raises food prices”** – Louisville Courier-Journal, April 11
- **“As Cars Go Green, Food Prices Will Jump”** – ABC News, April 11
- **“As ethanol demand rises, so will food prices”** – Palm Beach Post, March 30
- **“Appetite for ethanol spurs food price inflation”** – Canada Globe & Mail, April 10
- **“Biofuel helps farmers, but drives up food prices”** – Sioux City Journal, March 27
- **“It’s food vs. fuel in the battle for corn”** – Kansas City Star, April 7
- **“Extra corn demand drives up prices for food, drinks”** – WAVE (KY) News, April 12
- **“Pushing up the cost of food globally”** – Wall Street Journal, April 8

Key Questions

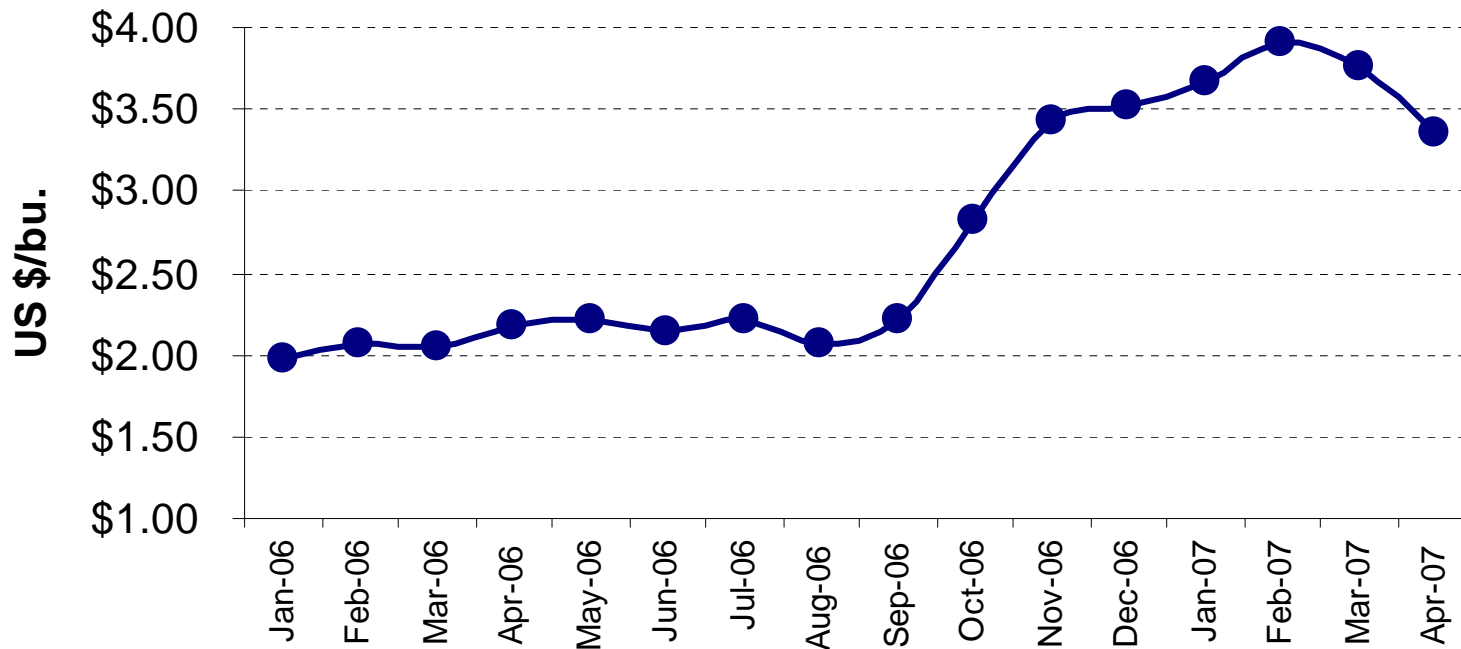
- **Have retail food prices *really* increased?**
- **If so, by how much?**
- **If so, what items are increasing in price?**
- **If so, is corn the driving factor behind the increases?**
- **Are there other factors at play?**
- **How much corn is actually in our grocery items?**
- **What is the bottom line to the consumer grocery bill?**

BLS CPI-Food Database

- **On a monthly basis, the Bureau of Labor Statistics (BLS) monitors average retail food prices for more than 120 common items.**
- **The BLS data is carefully controlled and based on surveys of hundreds of retail outlets.**
- **The BLS sample includes survey data from a variety of U.S. markets, including large cities and small towns in all regions of the country.**
- **The BLS sample includes dozens of items that include corn as a direct or indirect production input.**
- **The BLS is the most accurate and reliable pricing data available.**
- **This study is based on retail price information from the BLS database.**

Yes, Corn Prices are Higher

Yellow No. 2 Corn, Cash Price, Central Illinois



But what impact has that had on retail food prices?

Source: USDA, ERS (Cent. Illinois)



Dairy Products



No. 2 Yellow Corn, Cash (bu.)

April 2006: **\$2.18**

April 2007: **\$3.36**



Milk (1 gallon)

April 2006: **\$3.12**

April 2007: **\$3.14**



American Cheese (lb.)

April 2006: **\$3.81**

April 2007: **\$3.73**



Butter (lb.)

April 2006: **\$2.79**

April 2007: **\$2.86**



Ice Cream (1/2 gal.)

April 2006: **\$3.62**

April 2007: **\$3.79**

Source: Food prices=BLS; Corn price=USDA, ERS (Cent. Illinois)

Poultry Products



No. 2 Yellow Corn, Cash (bu.)

April 2006: **\$2.18**

April 2007: **\$3.36**



Turkey, frozen (lb.)

April 2006: **\$1.11**

April 2007: **\$1.08**



Chicken, fresh (lb.)

April 2006: **\$1.05**

April 2007: **\$1.12**



Chicken breast (lb.)

April 2006: **\$3.31**

April 2007: **\$3.37**



Eggs (dz.)

April 2006: **\$1.28**

April 2007: **\$1.62**

Source: Food prices=BLS; Corn price=USDA, ERS (Cent. Illinois)

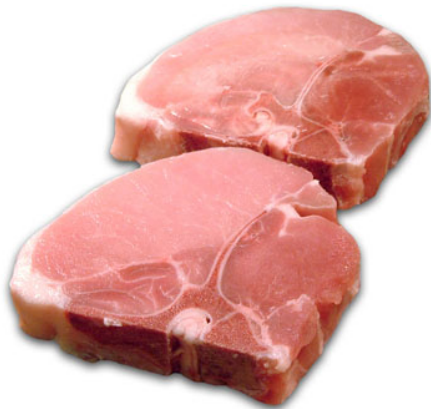
Pork Products



No. 2 Yellow Corn, Cash (bu.)

April 2006: **\$2.18**

April 2007: **\$3.36**



Pork Chops (lb.)

April 2006: **\$3.17**

April 2007: **\$3.15**



Sliced Bacon (lb.)

April 2006: **\$3.34**

April 2007: **\$3.50**



Ham (lb.)

April 2006: **\$2.25**

April 2007: **\$2.24**

Source: Food prices=BLS; Corn price=USDA, ERS (Cent. Illinois)

Beef Products



No. 2 Yellow Corn, Cash (bu.)

April 2006: **\$2.18**

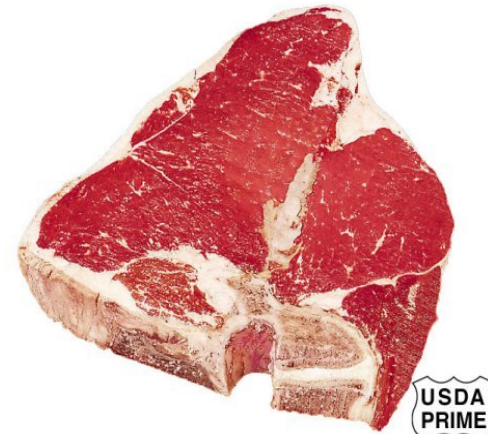
April 2007: **\$3.36**



Ground Beef (lb.)

April 2006: **\$2.74**

April 2007: **\$2.82**



Beef Steak (lb.)

April 2006: **\$5.09**

April 2007: **\$5.41**

Source: Food prices=BLS; Corn price=USDA, ERS (Cent. Illinois)

Beverage Items



No. 2 Yellow Corn, Cash (bu.)

April 2006: \$2.18

April 2007: \$3.36



Non-Diet Cola (2 ltrs.)

April 2006: \$1.10

April 2007: \$1.20



All Malt Beverages (16 ozs.)

April 2006: \$1.11

April 2007: \$1.11

Grocery Bill Comparison for Selected Items

ITEM	QTY	APRIL 06 PRICE	APRIL 07 PRICE
Milk	1 gal.	\$3.12	\$3.14
American Cheese	1 lb.	\$3.81	\$3.73
Butter	½ lb.	\$1.40	\$1.43
Ice cream	½ gal.	\$3.62	\$3.79
Turkey	2 lbs.	\$2.22	\$2.16
Chicken breast	2 lbs.	\$6.62	\$6.74
Eggs	1 dz.	\$1.28	\$1.62
Pork Chops	2 lbs.	\$6.34	\$6.30
Bacon	2 lbs.	\$6.68	\$7.00
Ground beef	1 lbs.	\$2.74	\$2.82
Beef steak	2 lbs.	\$10.18	\$10.82
Cola, non-diet	2 ltrs.	\$1.10	\$1.20
Malt Beverage	72 ozs.	\$5.00	\$5.00
TOTAL		\$54.11	\$55.75

- Aggregate increase for these items from April 06 to April 07 is 3.0%
- 25-Year average annual food inflation is 2.9%