

July CPI reflects higher meat prices

WASHINGTON, D.C. — Higher retail meat prices last month were the main cause of the 1.0 percent rise in the consumer price index for food in July, according to Assistant Secretary of Agriculture William Leshner.

"This was the largest monthly food price rise since August 1980," Leshner said, "placing the July food CPI 8.4 percent higher than a year earlier — still substantially less than the 11.3 percent increase in the CPI for nonfood items. The

higher meat prices reflected lower livestock slaughter in June and July which led to some needed improvement in farm-level livestock prices."

Leshner said he expects retail food prices to rise about 8.6 percent this year, thereby moderating the general inflation rate.

"This would be the sixth time in the last seven years that food prices have risen less than prices for nonfood goods and services," he said. "Although retail meat

prices may be higher in August, smaller food price rises are likely for the rest of this year."

The U.S. Department of Labor's Bureau of Labor Statistics released the July consumer price index, last Tuesday.

"Food prices at grocery stores rose 1.1 percent in July, while prices for meals purchased away from home were up 0.6 percent," Leshner said. "Meat prices increased 2.1 percent in July, led by a 4.7 percent rise in pork prices and a 1.3 percent increase in beef prices.

Regarding prices for other foods, higher marketing costs offset a lower farm value for cereals and bakery products, pushing retail prices for these foods up 0.3 per-

cent. Declining supplies of apples from cold storage and lower California orange production pushed retail fresh fruit prices up 4.7 percent. Sharply higher lettuce prices offset lower prices for tomatoes, carrots and green beans, causing a 1.6 percent rise in the CPI for fresh vegetables.

Dairy products prices rose only 0.2 percent as continued large milk production partly offset rising marketing costs. The CPI for fats and oils fell 0.2 percent, reflecting large supplies. Some recovery in global sugar production this year continued to put downward pressure on sugar prices, causing the sugar and sweets CPI to fall 0.4 percent. Lower sugar prices in recent months also led to a 0.8 percent drop in soft drink prices, while large global coffee supplies pushed retail coffee prices down for the eighteenth consecutive month.

Leshner said three-fourths of this year's food price rise will come from the farm-to-retail price spread, fish and imported foods. Major food marketing costs in the first half of the year have risen about 12 percent compared to year earlier levels, led by 21 percent

higher energy prices, 19 percent higher transportation prices and 11 percent higher labor costs.

Gains in labor productivity and declines in food industry profits, however, have partly offset higher marketing costs, holding the increase in the farm-to-retail price spread somewhat lower. Productivity data suggest that output per hour in the food industry is up substantially from last year. Industry data for some retail chains indicate lower profits, probably a consequence of increased competition from box and warehouse stores.

About one-fourth of the 1981 food price rise will be attributed to increases in the farm value of foods. After falling in the first half of the year, the farm value will increase in the second half, primarily reflecting lower meat supplies.

Important factors which pushed the farm value down earlier this year were large livestock marketings, particularly of nonfed cattle; the elimination of the April 1 dairy price support increase; and weak agricultural export demand, due to the strengthening dollar and large Southern Hemisphere crops.

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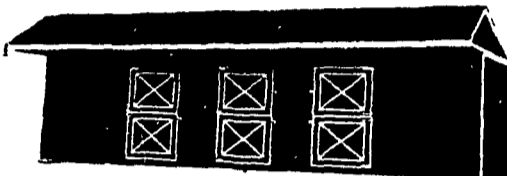
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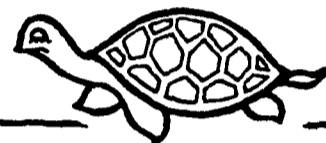
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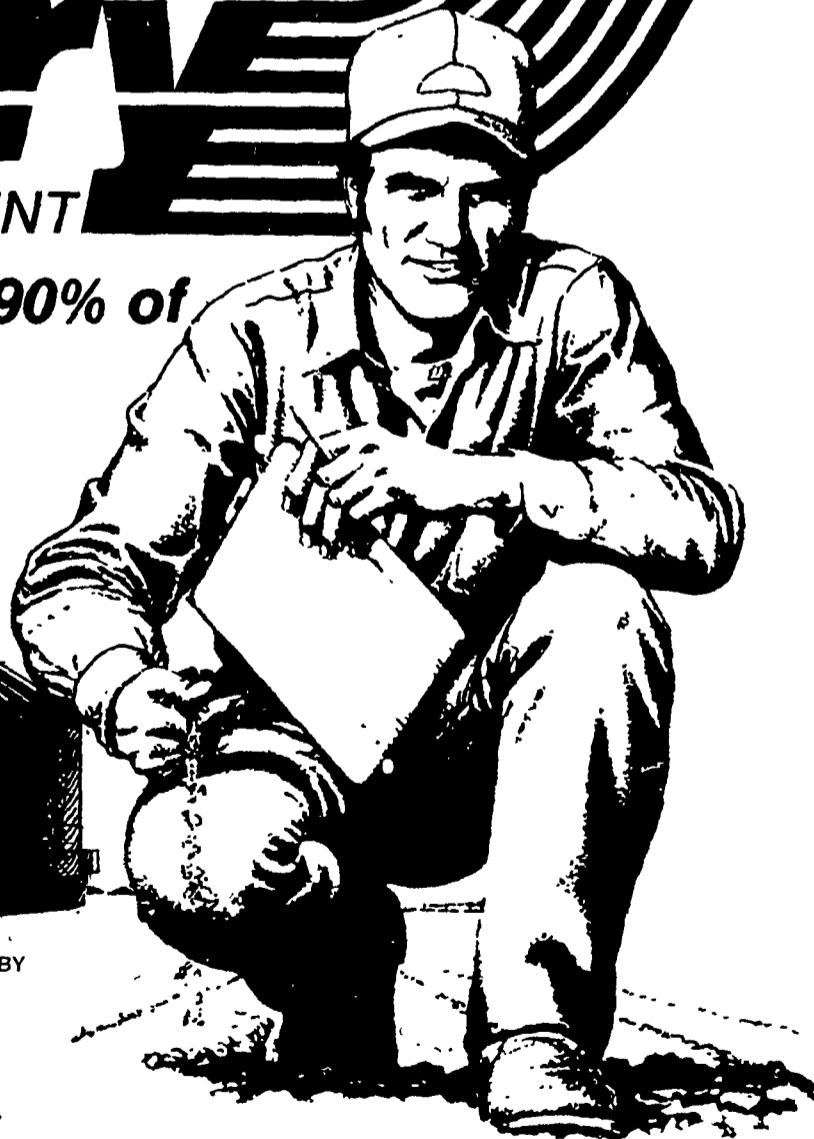


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