

Food prices rise, living standards fall for US families

Naomi Spencer
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Living expenses in the US have risen dramatically in the past few years, in ways that are not reflected by official measures of inflation or considered in already grim economic outlooks for the coming year. Soaring energy costs and a spike in the costs of basic foods relative to wages have had a significant impact on living standards for working class families already hurt by the ongoing collapse of the housing market and tightened credit market. US core inflation—a measure that excludes energy and food—has risen by 2.2 percent in 2007. Retail food prices, however, have risen by 5.5 percent in the first 10 months of 2007, according to the Labor Department, and energy has increased by 12.3 percent over the same period. Continuing the upward trend since early 2002, petroleum-based energy costs increased at a 20.6 percent annual rate in 2007.

Prices of certain goods have risen drastically. Milk prices have risen nearly 20 percent so far this year; the price of eggs has jumped by more than 42 percent since October 2006. Likewise, a study published December 5 from the University of Washington found fresh fruit and vegetable prices have risen by 20 percent in the past two years.

One immediate consequence is a decline in the quality of food available within household budgets already strapped by steeply rising energy prices. The University of Washington study, published in the December issue of the *Journal of the American Dietetic Association*, tracked price changes in 370 foods in Seattle-area supermarkets over two years.

Significantly, the study notes that the recommended diet, including a variety of less calorie-dense foods, now costs upwards of \$36 a day. In comparison, a 2,000-calorie diet consisting of junk food would cost just \$3.52 per day.

Nearly 26 million people in the US depend on the

federal Food Stamp program each month, which, like all federal assistance programs, has not risen commensurate to inflation. The average food stamp allocation amounts to \$3 a day, and approximately 800,000 recipients are allotted only \$10 in food assistance per month, a minimum that has not increased in three decades.

According to the University of Washington study, the average American currently spends about \$7 a day on food, while low-income Americans spend only \$4 a day, indicating that millions are already making enormous compromises in their nutrition and long-term health.

“That the cost of healthful foods is outpacing inflation is a major problem,” lead researcher at the University of Washington’s Center for Public Health, Adam Drewnowski, noted in a December 4 press release. “The gap between what we say people should eat and what they can afford is becoming unacceptably wide. If grains, sugars and fats are the only affordable foods left, how are we to handle the obesity epidemic?”

“We are an overfed but undernourished nation.... If you have \$3 to feed yourself, your choices gravitate toward foods which give you the most calories per dollar,” Drewnowski told the *New York Times* December 5. “Vegetables and fruits are rapidly becoming luxury goods.”

What is behind food price increases? There are a number of complex and interrelated factors driving up the cost of food worldwide, including stock market speculation over commodities; the economic growth of China and India and a demographic shift of the world’s population toward urban rather than rural areas; corporate consolidation of agricultural production; and ethanol production in the United States.

USA Today reported December 3 that the current rise

in prices on commodities including oil, grains, crops processed for fuel, steel and other raw materials was at the highest sustained rate since the late 1970s and early 1980s, a period of economic crisis directly related to commodity inflation.

“Investment banks are scrambling to hire commodity traders and analysts, even as they lay off thousands of existing employees,” the paper noted; in the midst of housing market collapse, the Federal Reserve has been attempting to contain inflation “even while pumping money into the nation’s banking system.”

However, the predictable result of federal supplementation of the financial sector has been the shift of rampant speculation from the credit and housing markets into commodities, resulting in increased prices on raw materials that are passed onto consumers in inflated prices.

In addition to the effects of speculation on the market, food prices have been pushed up by the increasing global demand for fuel and conflicts over strategic control of resources. Transportation and processing costs for all other commodities tie in to the price of oil. Demand for oil and other raw materials has risen in China, India and other areas experiencing rapid industrial growth. Another aspect of such industrialization is urbanization of the world’s poor, which has distanced millions from agricultural production and increased the need for ready-made and processed foods.

Ethanol, a fuel produced from a variety of staple crops and added to gasoline in the United States, has been a primary driver of global grain prices in the past year. The Bush administration has funneled billions of dollars in subsidies into the low-yielding and acreage-intensive corn-based ethanol program, pushing the price of feed corn to more than \$175 per metric ton, a world record.

A December 6 report from the *Economist* noted that, while corn has since scaled back to \$150 per ton, prices remain 50 percent above the 2006 average. The US is by far the world’s largest supplier of grain. However, in 2007, about a third of the US corn harvest went to ethanol production, according to the *Economist* report, surpassing the amount of corn exported annually.

Higher corn prices and demand for biofuel production have substantially increased the cost of raising cattle and chickens, resulting in continually higher meat,

dairy and eggs prices.

Concentration on ethanol-bound corn has also pushed out other grain crops. As a result, wheat, rice and soybean prices have skyrocketed. Since 2000, the price of wheat has tripled, and rice and corn prices have doubled. In May, wheat broke \$200 a ton on the world market, the *Economist* reported; by September, following a poor growing season that cut yields and brought supplies to a 30-year low, the price exceeded a record \$400 per ton.

The International Food Policy Research Institute revealed on December 4 that in 2006 global cereal stocks, and in particular wheat, were already at their lowest levels since the early 1980s. World cereal production figures are projected to reflect a rise of 6 percent for 2007, attributable to sharp increases in corn production.

All of this has a very direct effect on the world’s population, held at the mercy of irrational markets and the profit motive. The World Bank has pointed out that the grain used to fill the tank of a large-size automobile with biofuel could feed an individual for an entire year. Billions in the poorest regions, and paradoxically, those 2.5 billion people working in rural farming regions, are increasingly being confronted with a situation in which they are unable to eke out the barest level of subsistence against the spike in grain prices and extreme weather associated with climate change.

Internationally—including in the US—hunger and malnutrition are projected to rise in the coming years.



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