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EXPECT HIGHER GROCERY PRICES AS PANDEMIC CONTINUES TO DISRUPT SUPPLY CHAINS

(U.S. Virgin Islands) - Commissioner Richard Evangelista of the Department of Licensing and Consumer Affairs (DLCA) is notifying the public to expect higher grocery prices as the Coronavirus Pandemic continues to disrupt supply chains.

"During my last trip to the grocery, I thought I was imagining things. The price of steak gave me sticker shock" stated Commissioner Evangelista. "Although I was completing my personal to do-list, I turned on my DLCA hat and contacted a manager to confirm the item was not mispriced." Unfortunately, the price was accurate. The cost of steak is really pricier than usual — and so are your eggs, bacon, and other household staples.

The following article was previously published in the Washington Examiner by Emma Loop.

Grocery bills have been steadily rising in the United States as the coronavirus pandemic has continued to wreak havoc on supply chains and as businesses have faced worker shortages in recent months. Those disruptions have been exacerbated by higher demand, droughts, and major storms that have decimated crops and halted food production in some areas.

The consumer price index for food at home, which measures grocery prices, rose 3% in the last 12 months, according to data released by the Bureau of Labor Statistics in August of 2021. Meanwhile, the producer price index for food, which measures costs from the point of view of producers or wholesale prices, has gone up 12.7% since last August, the bureau reported.

The hike in food prices is part of broader inflation in the cost of goods and services that has been hitting people's pocketbooks at a time when money is already tight for those who have lost jobs or taken pay cuts due to the pandemic. Overall, the producer price index rose 8.3% in the last 12 months, the Bureau of Labor Statistics said — the most significant jump since it started calculating the number more than 10 years ago.

"Since the pandemic, supply chains have never been the same and likely won't normalize for at least six months," according to a report by Contingent Macro Advisors, a market research firm cited by the Associated Press. "Only then will we (and, more importantly, the Fed) get a true sense of the trend rate of producer inflation."

For households, the rise in wholesale prices for food producers, which are typically passed on to consumers in the long run, and the continued supply chain issues mean grocery bills are expected to remain high in the months to come.

The Department of Agriculture in its latest Food Price Index report said it expects food-at-home prices "to increase between 2.5% and 3.5%" this year and "between 1.5% and 2.5%" next year.

Food prices started rising before the coronavirus spread worldwide, mainly due to an African swine fever outbreak in China that increased the price of pork, according to the International Monetary Fund. Still, the pandemic has played a significant role in rising food prices. "At the start of the pandemic, food supply chain disruptions, a shift from food services (such as dining out) towards retail grocery, and consumer stockpiling (coupled with a sharp appreciation of the US dollar) pushed up consumer food price indices in many countries," the IMF wrote in June, concluding that it expected inflation in food prices for consumers to rise "about 3.2 percentage points and 1.75 percentage points on average in 2021 and 2022, respectively."

Meats, in particular, have been more expensive at U.S. grocery stores in the last year. The consumer price index for beef and veal, for instance, was up 12.2% between August 2020 and August 2021, the Bureau of Labor Statistics found, while eggs and pork were each up nearly 10%. Bacon has been exceptionally pricey, rising 17%.

"Prices have been driven up by strong domestic and international demand, high feed costs, and supply chain disruptions," USDA said in its outlook. "Winter storms and drought-impacted meat prices this spring, and processing facility closures due to cybersecurity attacks impacted beef and other meat production in May."

But the government said the price increases for meat aren't being caused by world events alone — it suspects consolidation among meat processors, which buy the livestock from farmers to slaughter and package it, is causing inflation as well.

"The President understands that families have been facing higher prices at the grocery store recently," three economic advisers to President Joe Biden wrote on Sept. 8. "Half of those recent increases are from meat prices — specifically, beef, pork, and poultry," the White House officials said. "Four large conglomerates control the majority of the market for each of these three products."

"The dynamic of a hyper-consolidated pinch point in the supply chain raises real questions about pandemic profiteering," the officials added. "The prices the processors pay to ranchers aren't increasing, but the prices collected by processors from retailers are going up."

The White House highlighted the USDA and Department of Justice's joint investigation into chicken processors for alleged price fixing among the steps the administration is taking to try to improve the meat-processing market.

For consumer related issues you may email us at consumerawareness@dlca.vi.gov or call our hotlines on St. Croix 340.727.SCAM(7226) or St. Thomas/St. John at 340.771.SCAM(7226). You may file a consumer complaint at www.dlca.vi.gov.

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