

YOUR MONEY: Paying for pantry staples no picnic: Rising cost of necessities hits consumers at stores, restaurants.

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If you're suffering from sticker shock at the grocery store or your favorite restaurant these days, you're not alone.

After falling in 2009 and 2010, grocery and restaurant prices are climbing because of soaring prices for items such as corn, beef and fuel.

Grocery store prices were up 6.2 percent in September --- and restaurants increased costs about 2.6 percent, according to the Bureau of Labor Statistics.

For consumers that means spending more money for necessities --- milk, bread, meat --- and possibly scaling back on goodies such as cookies and potato chips. It might also mean giving up name brands and going meatless some days.

"Everything just keeps going up," Robyn Williams of Atlanta said outside a Midtown supermarket. "I used to pay \$2 for iced tea; now it's \$3.99. Fruits and vegetables are more expensive; meat costs more. There seems to be no end. I want to know who's making all the money on the other end."

Zeb Stevenson, executive chef at Livingston restaurant in Midtown, said it's certainly not him.

Stevenson recently upped the price of his \$16 "Millionaire Monday's" promotion of a lobster or filet mignon dinner by \$2.

He said he began the special almost two years ago as a way to drive customers at a time when restaurants were flailing because of the economy.

"That \$16 price was really the identity of the special, but there was no way I could sustain it even at a loss because prices keep going up," Stevenson said. "The price of goods is increasing, and it is showing no signs of stopping."

Overall, food prices are expected to be up as much 4.5 percent this year --- and as much as another 3.5 percent next year, the U.S. Department of Agriculture said.

So why are prices increasing?

There are a number of reasons.

Corn is up because of increasing use in bio-fuels such as ethanol and exports to high-consuming countries such as China. The tightening corn supply is making it more expensive to use as feed for proteins such as beef, poultry and pork.

Beef production is also down because of continuing drought in Texas.

And fuel prices increased throughout the year, despite high unemployment and growing supply.

Yet, consumers are still spending money at the supermarket and at restaurants. They're just opting for store brands instead of name brands and spreading higher-cost meat over many meals, not just one.

"There will not be a recession in eating," said Harry Balzer, a food industry analyst for New York-based NPD Group. "We will save money by moving away from the most expensive products to the least expensive ones."

The higher food prices come as Atlanta consumers were showing signs that they are willing to spend more at restaurants.

Same-store sales for metro eateries --- from fast food to fine dining --- were up 6.4 percent in the third quarter of 2011 over the same period a year ago, according to NetFinancials, a provider of tax and accounting services for the restaurant industry.

Those numbers improved despite menu price increases at many places.

But continued price increases could hamper that momentum.

"It's the old adage that as price goes up, demand goes down," said David Pavesic, a food and restaurant economist at Georgia State University.

For the past two years, the food industry has been battling to keep costs low and avoid passing on increases to consumers, Pavesic said.

For instance, restaurant operators have leaned heavily on food distributors to sell cheap or risk losing business while grocery stores have shed low-selling items for ones that are volume leaders.

Consumers see the changes in ice cream containers or boxes of cereal that keep getting smaller while the price stays the same. Restaurants have reduced portions or selected less expensive cuts of meat to make it easier to sustain menu prices. Atlanta-based Coca-Cola has introduced smaller drink bottles to compensate for higher prices.

"Nearly every store is seeing pressure on cost of sales," said Bob Wagner, Net Financial's president. "Over the last couple quarters, the pressure has shown no sign of abating."

In 2010, rising commodity prices was the fourth biggest business concern for members of the Georgia Restaurant Association, said the group's executive director, Karen Bremer. In 2011, it has moved up to No. 1.

Some companies, though, have eaten the additional costs.

"It has been well over a year since we raised our menu prices and we have no plans to raise our prices anytime soon," Chick-fil-A spokesman Mark Baldwin said.

"While commodity prices are indeed rising, our business philosophy is to absorb those cost as long as it is financially feasible."

Increasing food bill

Food prices are on the rise, as consumers are paying up to 6 percent more for some grocery cart staples. A sampling of where prices are on items like milk, bread and ground beef compared with last year.

Loaf of white bread:

September 2010	September 2011
\$1.32	\$1.50

Ground beef per pound:

September 2010	September 2011
\$3.15	\$3.35

Boneless chicken breast per pound:

September 2010	September 2011
\$3.41	\$2.90

A dozen large eggs:

September 2010	September 2011
\$1.85	\$2.05

1 gallon of milk:

September 2010	September 2011
\$3.51	\$3.93

Red delicious apples per pound:

September 2010	September 2011
\$1.33	\$1.58