



Economic Commentary

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Wholesale Food Prices Continue to Rise Sharply

- Food prices continue to rise sharply, according to the latest data from the Bureau of Labor Statistics. On a year-to-date basis through March, wholesale food prices jumped 8.5 percent. These strong gains are coming on the heels of a 7.6 percent increase in 2007, which represented the strongest food price increase in 27 years.
- While the overall food price index registered strong growth recently, several individual commodities are posting even more dramatic gains. Flour (87%), eggs (73%), fats and oils (49%), cheese (27%), milled rice (25%) and milk (20%) all rose sharply on a year-to-date basis through March. What is more, these increases are all coming on top of double-digit growth rates in 2007.
- Food costs are one of the most significant line items for a restaurant, accounting for approximately 33 cents of every dollar in sales. With average margins of roughly 4 – 6 percent, an increase in food costs can have a dramatic impact on a restaurant's bottom line.
- Several factors have contributed to the dramatic rise in food prices in recent years, including higher oil and energy prices; the growing global demand from rapidly developing economies such as China and India; a weak U.S. dollar; and a larger share of the grain market being diverted to ethanol production.

Wholesale Price Growth for Selected Food Commodities

<u>Commodity</u>	<u>2007</u>		<u>2008</u>		<u>Commodity</u>	<u>2007</u>		<u>2008</u>	
	<u>Annual</u>	<u>YTD</u>	<u>Annual</u>	<u>YTD</u>		<u>Annual</u>	<u>YTD</u>	<u>Annual</u>	<u>YTD</u>
Fruits & melons, fresh/dry vegetables & nuts	9%	3%			Processed poultry	13%	3%		
Fresh fruits and melons	10%	4%			Eggs	61%	73%		
Fresh vegetables (excluding potatoes)	11%	-6%			Unprocessed & packaged fish	2%	1%		
Processed fruits and vegetables	6%	4%			Unprocessed fin fish	-5%	-28%		
Cereal and bakery products	7%	16%			Fresh packaged fish & seafood	11%	8%		
Bakery products	4%	7%			Frozen packaged fish & seafood	3%	6%		
Flour	23%	87%			Canned and cured seafood	4%	-1%		
Milled rice	14%	25%			Unprocessed shellfish	-1%	22%		
Other cereals	8%	12%			Sugar and confectionary	1%	3%		
Meats	3%	0%			Refined sugar	-12%	-10%		
Beef and veal	3%	1%			Confectionary materials	13%	14%		
Pork	4%	-6%			Alcoholic beverages	0%	3%		
Other meats	1%	0%			Soft drinks	2%	4%		
Dairy products	19%	18%			Coffee (whole bean, ground & instant)	7%	9%		
Milk	20%	20%			Tea	3%	5%		
Butter	10%	-2%			Fats and oils	18%	49%		
Cheese	22%	27%							

Source: National Restaurant Association analysis of Bureau of Labor Statistics data

Note: 2008 figures represent year-to-date growth through March