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2019 Food System Outlook

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The U.S. Food Marketing System

The food marketing system in the United States is responsible for getting food from our farms into the hands of our consumer. It transports and stores, packages, processes, handles, distributes, markets, and retails our food.

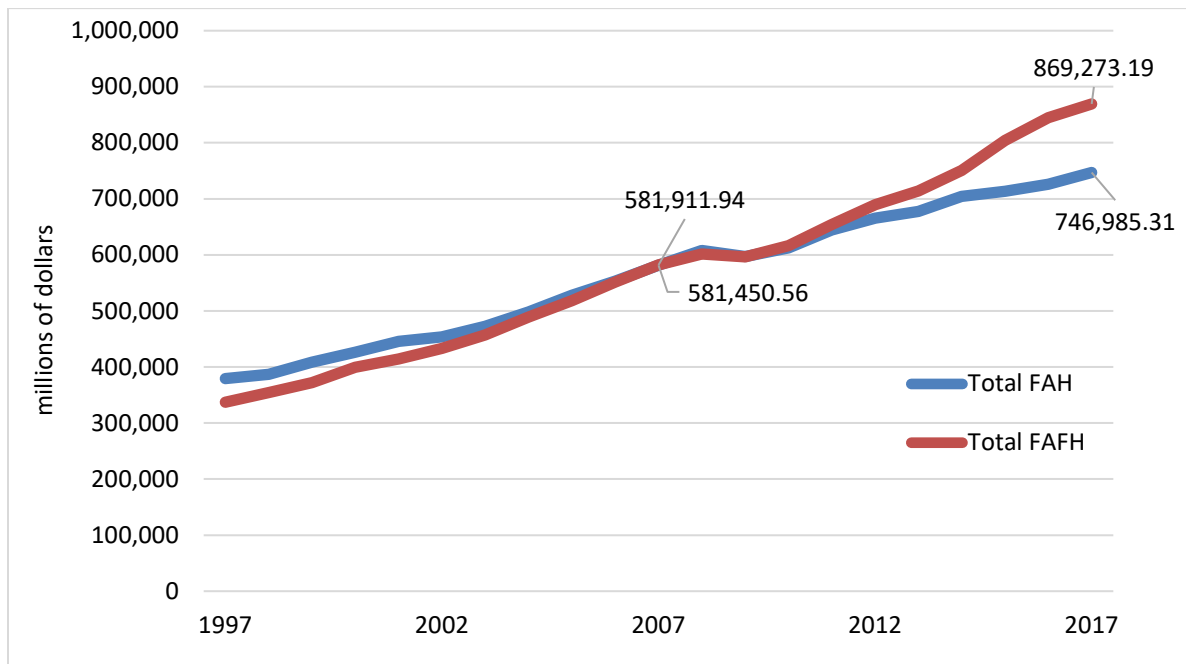
The marketing system moves food produced from farms through a variety of marketing channels to the end consumer. Changes in the world around us exert forces and pressures on this system. The size, complexity, and reactive nature of the system allow it to flex but not break with these pressures. When it flexes, the marketing channels in the system respond like water channels in a delta. Some channels thrive and grow larger while bending through different courses, others might diminish and dry up, and others arise in areas in which they never before occurred.

The largest volume of food by far travels through the grocery retail channel. A general rule of thumb is that about 75% of the volume of food moves through food-at-home markets, such as supermarkets. Roughly 25% of food moves through food-away-from-home markets, such as restaurants, accommodations, schools, etc.

When describing how consumers spend their food dollars, however, the model changes. Over half, about 54%, of consumers' food expenditures are spent on food-away-from-home, while 46% is spent on food-at-home. This is because cost of food purchased in the form of meals served through restaurants and other food service establishments includes more than just the food, it includes the restaurant labor, real estate, etc. It is more expensive than purchasing the components for meals prepared at home.

In 2017, consumers spent almost \$870 billion on food-away-from-home and only \$750 billion on food-at-home (Figure 1).

Figure 1. Food Expenditures, Food-at-Home Versus Food-away-from-Home



USDA-Economic Research Service, Food Expenditure series. <https://www.ers.usda.gov/data-products/food-expenditure-series/>

U.S. Food Prices-

The 2018 gross domestic product (GDP) forecast is looking better than 2017, and the positive effects from this are stronger personal income (Table 1). Real disposable personal income has been looking up since 2017. The forecast for real disposable personal income in 2018 also looks positive and on pace with the consumer price index.

The expected consumer price index (CPI) for food in 2018 of 1.3% is higher than last year, in 2017, but is not keeping pace with the overall CPI for all goods which is expected to average 2.4% for 2018.

Table 1. Economic Snapshot

Economic Measure	2015	2016	2017	2018 (forecast)	2019 (forecast)
Real GDP (annual % chg) ¹	2.9%	1.6%	2.2%	2.9%	3.0
Real Disposable Personal Income (% chg) ¹	4.1%	1.7%	2.6%	2.9%	na
Consumer Price Index (% chg) ²	0.1%	1.3%	2.1%	2.4%	2.4
Consumer Price Index, All Food & Bev. (% chg) ²	1.8%	0.3%	0.9%	1.3%	na

¹ Historical data from Bureau of Economic Analysis; GDP forecast from The Conference Board; 2018 DPI forecast from BEA

² Historical data from Bureau of Labor Statistics; forecast by International Monetary Fund.

While prices for food-away-from-home, purchased primarily through restaurants, are forecast to increase between 2 to 3 percent, 2018 food-at-home prices, purchased primarily from supermarkets, are stagnant after 2 years of food *d*eflation. (Table 2).

In general, however, the prices forecast for various food at home categories in 2019 are slightly positive on top of some price swings between 2017 and 2018. The most notable exception is a projected decrease for prices for fats and oils in 2019. Some stronger increases are forecast for dairy products (3.0%-4.0%), fresh fruits (2.0%-3.0%), fresh vegetables (2.5%-3.5%), and cereal and bakery products (2.0%-3.0%).

Table 2. Changes in Consumer Price Indexes for Various Foods

	2017	Oct 2017 to Oct 2018	2018 forecast	2019 forecast
	% change	% change	% change	% change
All food	0.9	1.2	0.75 to 1.75	1.5 to 2.5
Food away from home	2.3	2.5	2.0 to 3.0	2.0 to 3.0
Food at home	-0.2	0.1	0.0 to 1.0	1.0 to 2.0
Meats, poultry, and fish	-0.1	-0.4	0.5 to 1.5	0.5 to 1.5
Meats	-0.6	-1.2	0.0 to 1.0	0.25 to 1.25
Beef and Veal	-1.2	0.6	1.25 to 2.25	1.0 to 2.0
Pork	0.6	-3.5	-0.75 to 0.25	-0.75 to 0.25
Poultry	0.2	-0.3	0.0 to 1.0	1.0 to 2.0
Fish and seafood	1.2	2.8	1.25 to 2.25	0.25 to 1.25
Eggs	-9.5	2.8	9.0 to 10.0	-1.0 to 0.0
Dairy products	0.1	-0.2	-1.0 to 0.0	3.0 to 4.0
Fats and oils	0.8	-0.4	-0.25 to 0.75	-3.0 to -2.0
Fruits and vegetables	-0.2	-0.4	0.25 to 1.25	1.5 to 2.5
Fresh fruits & vegetables	0.2	-0.5	0.75 to 1.75	2.0 to 3.0
Fresh fruits	0.5	-1.5	1.0 to 2.0	2.0 to 3.0
Fresh vegetables	-0.1	0.7	0.0 to 1.0	2.5 to 3.5
Processed fruits & vegg.	-1.6	-0.1	-1.25 to -0.25	-1.0 to 0.0
Sugar and sweets	-0.1	0.3	0.0 to 1.0	0.0 to 1.0
Cereals and bakery products	-0.5	0.5	0.25 to 1.25	2.0 to 3.0
Non-alcoholic beverages	0.2	0.9	-0.5 to 0.5	-0.25 to 0.75

USDA-ERS, Food Price Outlook, <http://www.ers.usda.gov/data-products/food-price-outlook.aspx#26630>

Producer Prices

Producer price indexes (PPI) fluctuate more widely than CPIs, reflecting price swings due to growing conditions, harvests and input supply costs as well as demand.

Meat and egg prices, including farm level and wholesale level beef prices, wholesale pork prices and egg prices are all expected to decrease in 2019. Increases in production in these commodities drive most of the decreases in price forecasts for 2019 (Table 3).

Dairy farmers looking for relief from low prices may see them in 2019. Farm level milk prices are predicted to increase 3.0%-4.0%, while wholesale milk prices will remain stable.

The PPI forecasts for fruits and vegetables, for fresh markets and processing, is not encouraging. PPIs for fruits and vegetables in 2018 are lower than for 2017 and are expected to be lower yet in 2019, decreasing from -4.0%- -3.0% for fruits and decreasing -3.5%- -2.5% for vegetables in 2019 over and above the decreases seen in 2018. Large crops for apples and strawberries, two of the largest domestic commodities in terms of value, were seen in 2018. The apple crop will affect the marketing year in 2019.

Table 3. Changes in Producer Price Indexes, 2016 through 2019

Item	2016	2017	Forecast 2018	Forecast 2019
	<i>% change</i>	<i>% change</i>	<i>% change</i>	<i>% change</i>
Unprocessed foodstuffs and feedstuffs*	-10.5	2.9	NA	NA
Farm level cattle	-19.4	-1.7	-3.5 to -2.5	-2.0 to -1.0
Wholesale beef	-16.7	-0.7	0.5 to 1.5	-3.0 to -2.0
Wholesale pork	-2.1	3.2	-7.0 to -6.0	-2.0 to -1.0
Wholesale poultry	-3.6	0.7	-6.5 to -5.5	-1.5 to -0.5
Farm level eggs	-59.1	23.6	31.0 to 32.0	-15.0 to -14.0
Farm level milk	-3.0	8.6	-9.0 to -8.0	3.0 to 4.0
Wholesale dairy	-1.7	3.4	-2.5 to -1.5	0.0 to 1.0
Farm level soybeans	2.9	-2.3	-5.5 to -4.5	-5.0 to -4.0
Wholesale fats and oils	-0.8	4.1	-2.75 to -1.75	-3.0 to -2.0
Farm level fruits	11.7	6.6	-3.0 to -2.0	-4.0 to -3.0
Farm level vegetables	1.0	6.4	-9.0 to -8.0	-3.5 to -2.5
Farm level wheat	-20.4	7.8	14.0 to 15.0	4.0 to 5.0
Wholesale wheat flour	-7.3	1.7	-0.5 to 0.5	-4.0 to -3.0

NA = Not available.

NA = Not available.

USDA ERS Food Price Outlook <https://www.ers.usda.gov/data-products/food-price-outlook/food-price-outlook/#Producer%20Price%20Index>

U.S. agricultural trade is stabilizes domestic supplies, prices, and demand. Ag exports have been larger than imports since 1960 and have been able to help ease the trade deficit for non-ag merchandise. Exports for 2019 are forecast at \$141.5 billion, imports at \$127.0 for a trade balance of \$14.5 billion (Table 4).

The largest declines in exports in 2018 have been in soybeans and cotton while increases in 2018 have been in corn and wheat. The decline in soybeans in 2018 can be attributed to the decrease in exports to China, the decline in cotton, a softening of the world market for cotton.

Table 4. U.S. Agricultural Trade, 2015 – 2019, Year Ending September 30

Item	2015	2016	2017	2018*	2019*
<i>billion dollars</i>					
Exports	139.8	129.6	140.2	143.4	141.5
Imports	114.2	113.0	119.1	127.6	127.0
Balance	25.5	16.6	21.1	15.8	14.5

*Forecast, fiscal year ending September 30.

Source: Compiled by USDA using data from U.S. Census Bureau, U.S. Department of Commerce.

<http://usda.mannlib.cornell.edu/usda/current/AES/AES-11-29-2018.pdf>

For 2019, exports of horticultural products which will continue to grow (Table 5). At the same time, imports of almost all major product categories are expected to drop slightly in 2019, with the exception of oilseed and dairy products imports which are expected to remain stable.

Table 5. U.S. Agricultural Trade Forecasts, Selected Commodities, 2014 – 2015

Item	2018		2019 forecast	
	Exports	Imports	Exports	Imports
<i>billion dollars</i>				
Grains and feed	31.2	12.8	33.8	12.5
Oilseeds	31.5	9.7	27.9	9.7
Livestock, poultry, and dairy product	30.5	17.1	30.1	17.0
Dairy products	5.6	3.4	5.3	3.4
Cotton	6.6	NA	5.9	NA
Horticultural products (fruits, vegetables, & nuts)	34.6	63.2	35.3	62.1

Fiscal year data and forecast.

NA=not available

Source: USDA-Economics Research Service, *Outlook for U.S. Agricultural Trade*.

<http://usda.mannlib.cornell.edu/usda/current/AES/AES-11-29-2018.pdf>

“Smart Marketing” is a marketing newsletter for extension publication in local newsletters and for placement in local media. It reviews elements critical to successful marketing in the food and agricultural industry. **Please cite or acknowledge when using this material.** Past articles are available at <http://dyson.cornell.edu/outreach/smart-marketing-newsletter>.