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# More Bread For Our Daily Bread

Little relief is in sight for rising food prices.



*Editor's note: we are publishing a little early this week, recognizing that a number of you will be celebrating or observing spring holidays. We hope that those occasions are relaxing and restorative for you and your families.*

A nice meal is one of life's great pleasures. But it is becoming an increasingly expensive indulgence. I am finding renewed value in Benjamin Franklin's advice that one should "eat to live, and not live to eat."

Around the world, trips to restaurants and grocery stores are stressing household budgets. Prices of food have been increasing at double- and even triple-digit rates in some locations. Low income economies, where food constitutes a relatively large share of the consumer price basket, are struggling the most. However, the developed world hasn't been immune. Annual

food inflation hit a 45-year high of 18% in the U.K. and a record high of 15% in the eurozone. Though decelerating in the U.S., inflation in the essentials is hovering at rates last seen in the early 1980s.

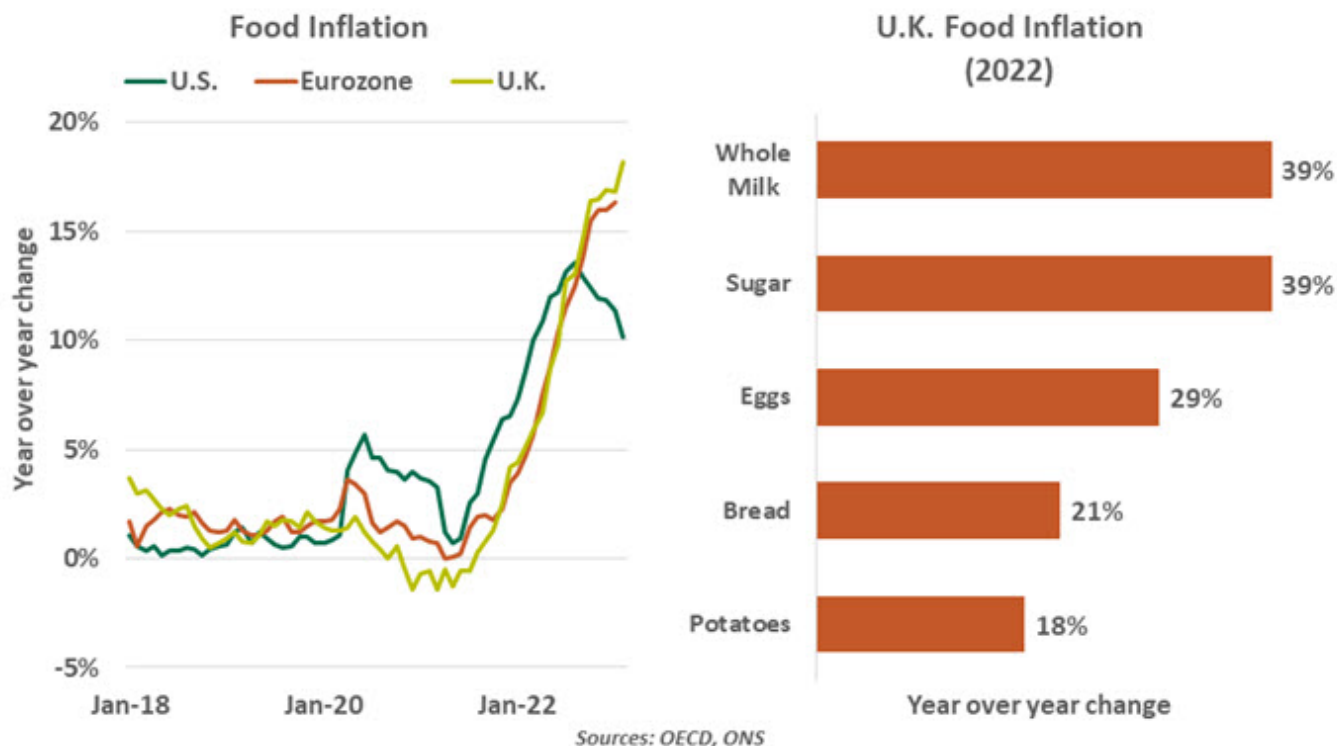
Supply disruptions from the Ukraine war and extreme weather conditions have kept food prices elevated. As commodities grew scarce, 19 nations have installed food export bans to keep domestic harvests at home, complicating global food distribution. Fertilizer prices are more than double what they were before COVID. Research by the International Monetary Fund (IMF) shows that about 45% of any change in fertilizer prices typically feeds into global cereal prices within a year.

Higher transportation costs due to elevated energy prices, coupled with rising packaging and labor costs, are also contributing to higher bills at grocery stores. Idiosyncratic factors, like the outbreak of **avian influenza** in the U.S. and a weaker British pound making imports more expensive, have only added to the pain.

As past increases in agricultural commodity prices and higher energy costs fade, the contribution of food prices to overall inflation is likely to diminish in the coming months. In the eurozone, farm gate values and wholesale prices have been trending lower since the turn of the year, which will likely be transmitted through the food price chain.

Looking ahead, weather could disrupt matters. While the long cooling spell of La Niña has ended, the opposite El Niño event may soon follow. The accompanying spike in global temperatures will likely lower crop output.

The war in Ukraine is far from over, and any escalation may jeopardize the Black Sea Grain Initiative, which provides safe export shipping from Ukraine. According to the IMF, this alone would reduce global wheat and corn supplies by 1.5 percentage points and raise cereal prices by 10% within 12 months.



Higher food prices are having a devastating effect on the poorest and most vulnerable sections of society. Governments and multilateral bodies have been making efforts to ease the burden. Some countries have cut taxes on essentials, while others are offering subsidies, straining public finances. Healthy profits generated by businesses such as supermarket chains has led to increased government scrutiny in the form of price inspections and caps.

### **Food price inflation remains a worry for consumers worldwide.**

Some moderation in the cost of my meals would be most welcome. Even when the food tastes good, the thought of how expensive it is gives me heartburn.

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