

Posted on Sun, Mar. 30, 2008

## The mounting cost of food

### One more reason to cut the carbs: Record-high wheat and grain prices are hitting everything from pasta to pizza

By Betsy Blaney

The Associated Press

Next time you restock your pantry, be prepared for sticker shock. The price of wheat has more than tripled during the past 10 months, making Americans' daily bread -- and bagels and pizza and pasta -- feel a little likAnd baked goods aren't the only ones getting more expensive: Experts expect about 80 percent of grocery prices will spike, too, and could remain steep for years because wheat and other grains are used to feed cattle, poultry and dairy cows.

"It's going to affect everything . . . impact on every section of the grocery store," said Michael Bittel, senior vice president of King Arthur Flour Co. in Norwich, Vt.

Consumers such as Maria Cardena feel trapped by the prices. She said the bread she buys has jumped in recent weeks. "You have to buy it," said the 29-year-old mother from Lubbock, Texas. "You can't go without it. Everything has gone up."

Last week in a Miami Publix, the cheapest 20-ounce loaf of white bread cost \$1.85 (on special). Most brands of the same size loaf were priced from \$2.49 to \$2.79.

In 1998, white bread cost an average of 85 cents a pound and \$1.03 in February 2006. The price rose to \$1.32 a pound last month, according to federal data. And that's on top of overall food price increases of 4 percent last year and an additional 3.5 to 4.5 percent expected this year, according to federal data.

Most years see 2.5 percent increases.

During the past few months, the price of cereals and baked goods has risen nearly 6 percent over the same time last year, federal officials reported.

Consumers can try to minimize costs by buying fewer wheat products, but the nation's bakers, pizzerias and other flour-dependent industries don't have that luxury. Panera Bread Company, for example, is paying more than double what it paid for wheat in 2007 -- an additional \$26.5 million this year, according to its latest earnings report.

At Kraft Foods, producer of Ritz crackers and Chips Ahoy cookies, the cost of commodities including wheat were up 9 percent last year, or about \$1.3 billion. Spokeswoman Lisa Gibbons called that unprecedented and said the company doesn't expect prices to ease anytime soon.

The company has offset most of those costs by finding savings elsewhere, such as switching its Miracle Whip sandwich spread from glass to cheaper plastic bottles.

The wheat market has been pushed higher by a combination of agricultural, financial and energy issues.

Poor wheat harvests in Australia and parts of Europe and the United States have caused China and other Asian countries to buy up more American crops, which are especially attractive because of the weak U.S. dollar.

At the same time, the American crop is shrinking because of federal incentives to grow corn for ethanol. And skyrocketing gas prices make it costlier to get any wheat to market. Those same pressures also have made it more expensive to supply feed grains for livestock.

At Bob's Red Mill flour company, wheat flour has typically been subject to retail price adjustments every five years. Now those increases are happening almost monthly.

"You look at the price and you say, 'Oh, my gosh,' " said Dennis Gilliam, executive vice president of sales and marketing for the company in Milwaukie, Ore. "It keeps climbing every day."

Some consumers are baking more. King Arthur's Bittel said that while store-bought bakery bread [such as olive loaf or garlic rye] is running between \$3 and \$5, a home baked loaf will cost about 60 cents. That's up from 40 cents from a year ago.

Some experts said wheat prices may be close to topping out. But whether prices come down, and when, is a guessing game.

Global wheat stocks have hit a 30-year low following seven of eight years in which world consumption exceeded production.

Representatives of the U.S. baking industry went to Washington earlier this month to ask the Bush administration and Congress to address the record wheat prices.

Lee Sanders, senior vice president of the American Bakers Association, said her group isn't asking for a wheat export moratorium.

But the industry does want export policies reviewed to ensure domestic bakers have enough affordable flour.