

# Intelligence MEMOS



From: Werner Antweiler

To: Food Price Observers

Date: November 27, 2023

Re: **UNPACKING THE REAL SOURCES OF RISING FOOD PRICES**

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Consumers are complaining about high food prices, and indeed food prices have risen sharply since the end of the pandemic.

Politicians have taken up the complaints. Liberals in Parliament have [singled out](#) record profits of grocery chains and the lack of competition in Canadian food retailing, implicitly portraying these companies as greedy. Meanwhile, Conservatives blame Liberals and have cite the [federal carbon tax](#) as a scapegoat. Both parties are a fair bit off the mark.

Politicians cannot magically lower food prices, and the carbon tax has a negligible impact. Food retailing is not a high-margin business, and retailers have indeed been facing higher costs due to the effects of climate change on agricultural production, supply chain bottlenecks, the effect of the Russian invasion of Ukraine, higher energy prices, and higher wages in response to higher inflation.

The only market segment where food prices are regulated are where supply management for dairy and poultry products keeps prices artificially high, but politicians are loath to reform supply management (see my recent discussion on [dairy imports](#)). There is in fact a link between food prices and a specific climate-related policy, to which I return below, but it is not carbon pricing.

But how much have different food categories really risen in recent years? Simply looking at the most recent annual inflation numbers distorts the picture because the baseline changes from one month to the next. It is more useful to examine the rise of food prices over a longer period.

Statistics Canada collects monthly food price information in order to compute the [Consumer Price Index](#), and specifically table [18-10-0004](#). The CPI data are quite detailed if one is willing to look closely. Below I have compiled a table with the most recent data from September 2023, and compared this against a reference period, the average of 2019. For each food category I show the percentage increase since 2019 and the percentage deviation from the Main Food Index, the first row in the table. Differences are calculated as a percentage deviation, not simply the percentage-point difference.

Overall, food prices have risen 24.1 percent over the course of four years, an annualized inflation rate of 5.5 percent. In fact, all food items have risen in price; nothing has gotten cheaper.

The table shows which food items have risen more than the average food item, and which have risen less. A red background indicates deviations of more than 20 percent, an orange background indicates deviations of more than 10 percent, and a yellow background indicates deviations of more than 5 percent. Items with negative deviations of more than 10 percent and 5 percent are indicated by dark and light green backgrounds, respectively.

Some items are vastly more expensive, especially edible fats and oils. Margarine is 67 percent more expensive than four years ago. This price increase seems to have spilled over into the price of butter, which has risen 38 percent over four years.

Some food items have not risen quite as fast as others. Surprisingly, fresh vegetables including tomatoes, potatoes and lettuce seem to remain more affordable, as well as some fresh fruit such as bananas. Among the meats, beef and chicken is relatively more expensive than pork. And looking through the remainder of the list, pasta products have risen more than other food items, as well as frozen and dried vegetables, fruit juices, and eggs.

What stands out is the incredibly high price of oils and fats (including margarine). Agrifood experts point to a combination of tightening supplies and growing global biofuel targets. Argentina's soybean crop for 2023 was dismal, and output in other Latin American countries is also lower than expected. Demand from China has also rebounded from pandemic conditions. And there are signs that the biofuel industry is approaching a [feedstock crunch](#). Consumption of vegetable oil for biofuel production is expected to increase 46 percent to 54 million tonnes over 2022-2027, the International Energy Agency reported last December, raising the share of vegetable oil production directed to biofuels from 17 percent to 23 percent. In the United States, this increase in demand is already reducing soybean oil export estimates and supporting higher prices.

Rising biofuel demand putting pressure on food prices is not new. Ethanol-blending mandates for gasoline, and airlines demanding more sustainable aviation fuel, are [contributors](#) and 40 percent of US corn is already used to produce biofuels. A recent report by the US Department of Agriculture also linked the growing demand for fats and oils on the [global biodiesel expansion](#). Most of the feedstock comes from crude palm, soybean, and canola oils. While global ethanol consumption has been relatively flat in recent years, biodiesel consumption [is rising](#).

There are other notable factors contributing to high food prices. Russia's war on Ukraine has disrupted grain supplies, wheat in particular. Blocked Ukrainian grain shipments are [worsening global starvation](#). World markets for fertilizers have been disrupted as well; Russia is a major exporter of urea. All these factors have driven up production costs for Canadian farmers. [Farm input prices](#) have risen by 29.3 percent between the second quarters of 2019 and 2023; fertilizer alone is up 51 percent over the same period.

The blame for high food prices falls neither on greedy retail chain CEOs nor on Canada's carbon tax. Most contributing factors can be attributed to global sources. The Ukraine war has driven up fertilizer and grain prices, along with energy prices.

But we also need to look at the unintended consequences of well-intentioned biofuel mandates. Simply diverting more and more agricultural production towards biofuels will ultimately have even higher impacts on food prices. The current rise in prices for fats and oils appears to be at least in part influenced by this trend.

Breaking the link between rising biofuel demand and food prices requires capturing biomass that is a co-product (or waste) of existing agricultural production, such as crop and wood residue, including corn husks and stalks. Biofuel production needs to rely on feedstocks that do not reduce cropland. Public policies directed at biofuels need to distinguish between sources that affect food prices and the sources that do not.

*See figures in next 2 pages*

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Product Category	Change since 2019	Main Food Index Deviation
	Percent	
Food purchased from stores	24.1	0.0
Meat	26.7	2.1
Fresh or frozen meat	25.9	1.5
Fresh or frozen beef	32.0	6.4
Fresh or frozen pork	16.0	-6.5
Other fresh or frozen meat	12.6	-9.2
Fresh or frozen poultry	32.0	6.3
Fresh or frozen chicken	33.3	7.4
Other fresh or frozen poultry	25.3	1.0
Processed meat	23.8	-0.2
Ham and bacon	20.6	-2.8
Other processed meat	24.5	0.3
Fish, seafood and other marine products	16.0	-6.5
Fish	16.8	-5.8
Fresh or frozen fish	15.8	-6.7
Canned and other preserved fish	19.7	-3.6
Seafood and other marine products	13.7	-8.4
Dairy products and eggs	23.3	-0.6

Product Category	Change since 2019	Main Food Index Deviation
	Percent	
Dairy products	22.1	-1.6
Fresh milk	20.0	-3.3
Butter	37.6	10.9
Cheese	21.5	-2.1
Ice cream and related products	22.2	-1.5
Other dairy products	21.1	-2.4
Eggs	34.8	8.6
Bakery and cereal products	26.8	2.2
Bakery products	26.6	2.0
Bread, rolls and buns	22.9	-0.9
Cookies and crackers	26.3	1.8
Other bakery products	31.2	5.7
Cereal products	26.9	2.3
Rice and rice-based mixes	23.3	-0.6
Breakfast cereal and other cereal products	24.3	0.2
Pasta products	37.3	10.6
Flour and flour-based mixes	29.3	4.2
Fruit, fruit preparations and nuts	20.9	-2.6

Product Category	Change since 2019	Main Food Index Deviation
	Percent	
Fresh fruit	17.7	-5.2
Apples	25.9	1.5
Oranges	27.0	2.3
Bananas	4.5	-15.8
Other fresh fruit	23.8	-0.2
Preserved fruit and fruit preparations	31.7	6.1
Fruit juices	35.6	9.3
Other preserved fruit and fruit preparations	26.2	1.7
Nuts and seeds	16.0	-6.5
Vegetables and vegetable preparations	17.2	-5.5
Fresh vegetables	14.2	-8.0
Potatoes	16.5	-6.1
Tomatoes	2.0	-17.8
Lettuce	12.4	-9.4
Other fresh vegetables	26.9	2.3
Preserved vegetables and vegetable preparations	27.6	2.8
Frozen and dried vegetables	36.7	10.2

Product Category	Change since 2019	Main Food Index Deviation
	Percent	
Canned vegetables and other vegetable preparations	23.7	-0.3
Other food products and non-alcoholic beverages	27.3	2.6
Sugar and confectionery	20.2	-3.1
Sugar and syrup	25.1	0.8
Confectionery	19.6	-3.7
Edible fats and oils	63.7	31.9
Margarine	66.9	34.5
Other edible fats and oils	61.8	30.4
Coffee and tea	19.5	-3.7
Coffee	19.5	-3.7
Tea	18.8	-4.3
Condiments, spices and vinegars	33.2	7.4
Other food preparations	24.7	0.5
Soup	21.1	-2.4
Baby foods	21.6	-2.0
Frozen food preparations	28.2	3.3
All other food preparations	23.6	-0.4
Non-alcoholic beverages	30.7	5.4

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