

Consumer Price Inflation

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August 12, 2008

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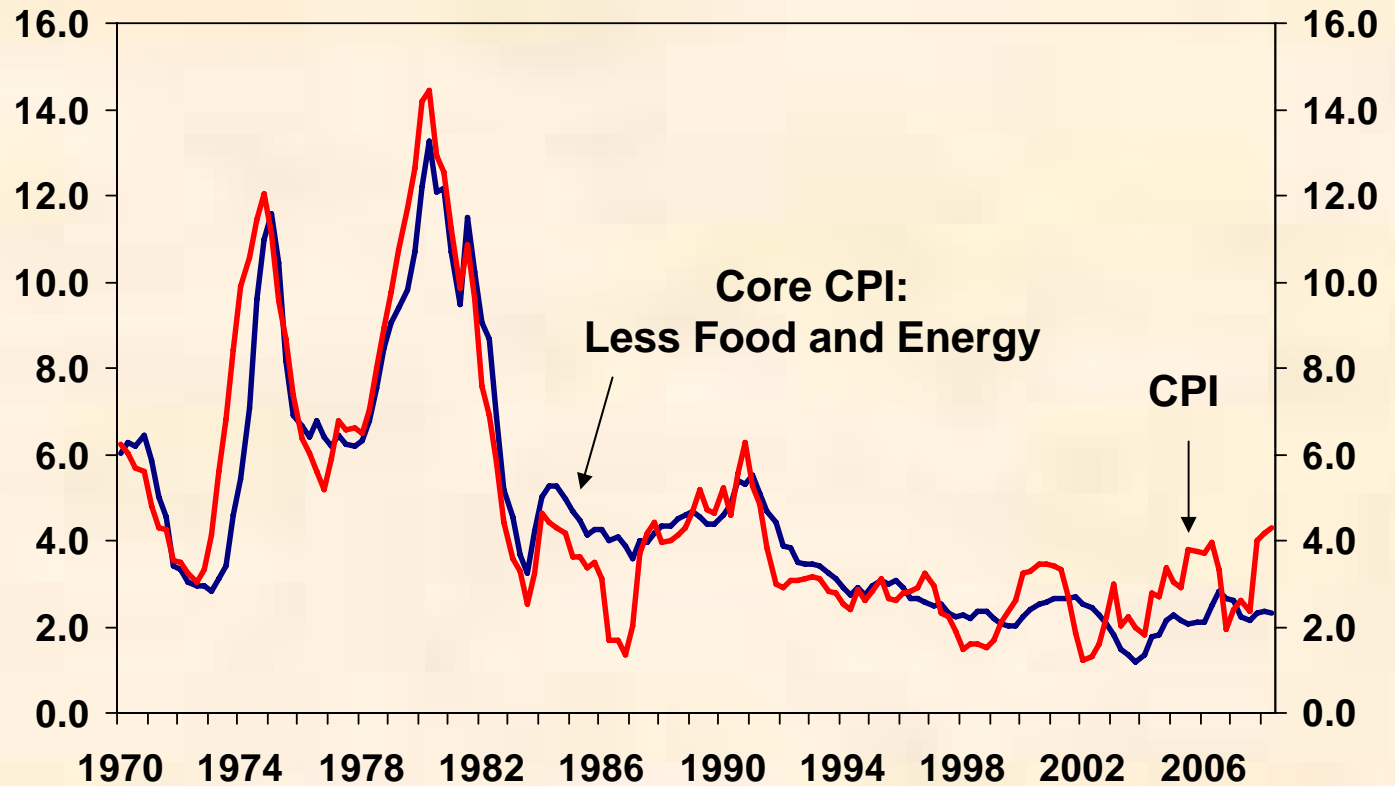


Photos courtesy of USDA

Inflation has Jumped to its Highest Levels Since the Early 1990s.

Consumer Price Inflation

Annual percent change



Source: Department of Commerce



Energy and Farm Commodity Price Spikes Have Fueled the Gains.

WTI Crude Oil Prices



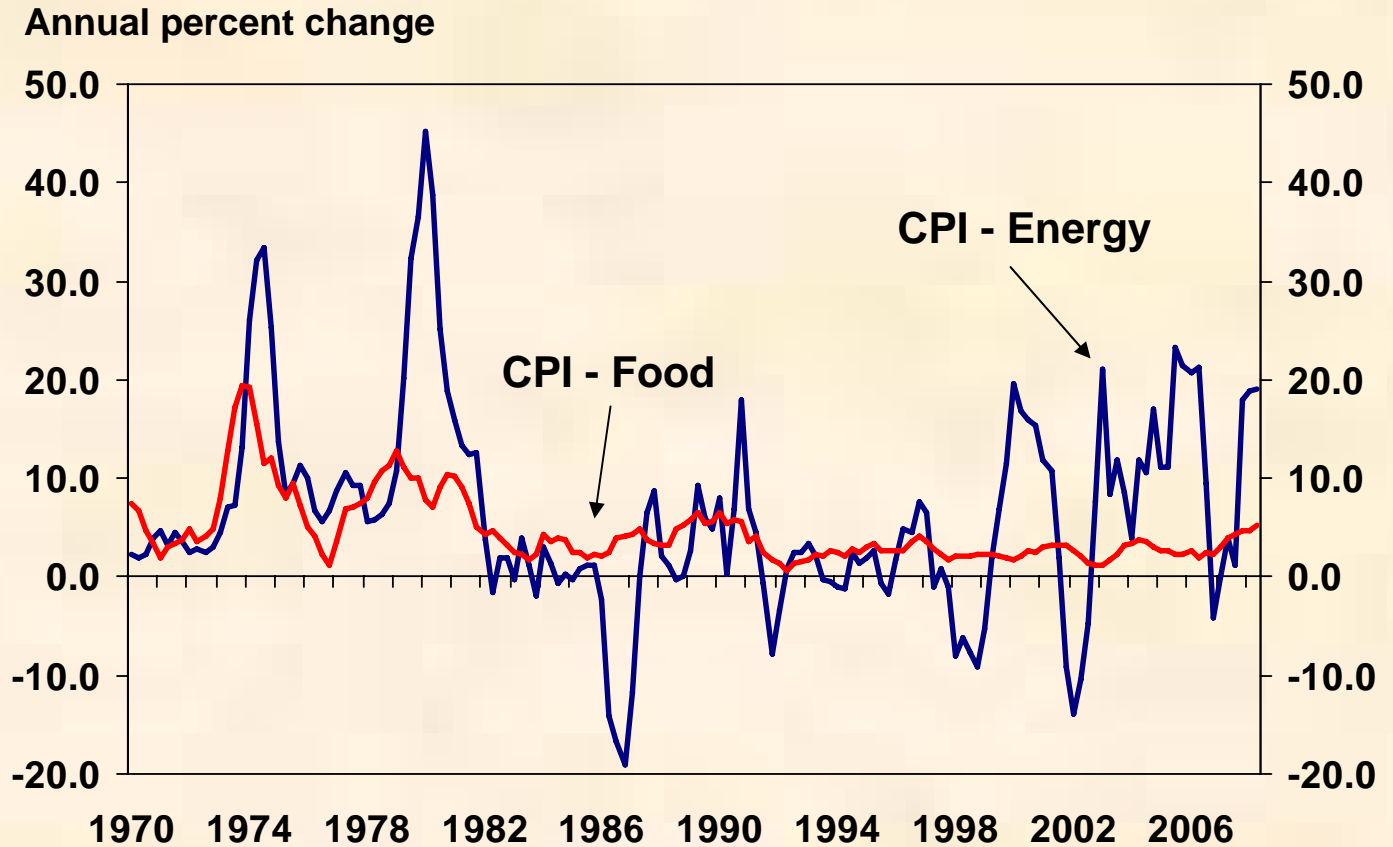
Farm Commodity Prices



Source: Department of Energy and USDA

A Decade of High Energy Inflation.

Consumer Price Inflation – Food and Energy Components



Source: Department of Commerce



Energy Costs are Driving Housing and Transportation Inflation.

Category	Relative Importance to CPI	Annual Percent Change June 2007	Annual Percent Change June 2008
Housing	42.7	3.4	3.5
Shelter	32.6	3.8	2.5
Furnishings	4.7	0.0	0.2
Household Fuel	5.1	4.4	12.2
Transportation	17.7	0.9	12.0
Motor Vehicles	7.2	-1.9	-0.3
Motor Fuel	5.5	4.9	33.3

Source: Bureau of Labor Statistics

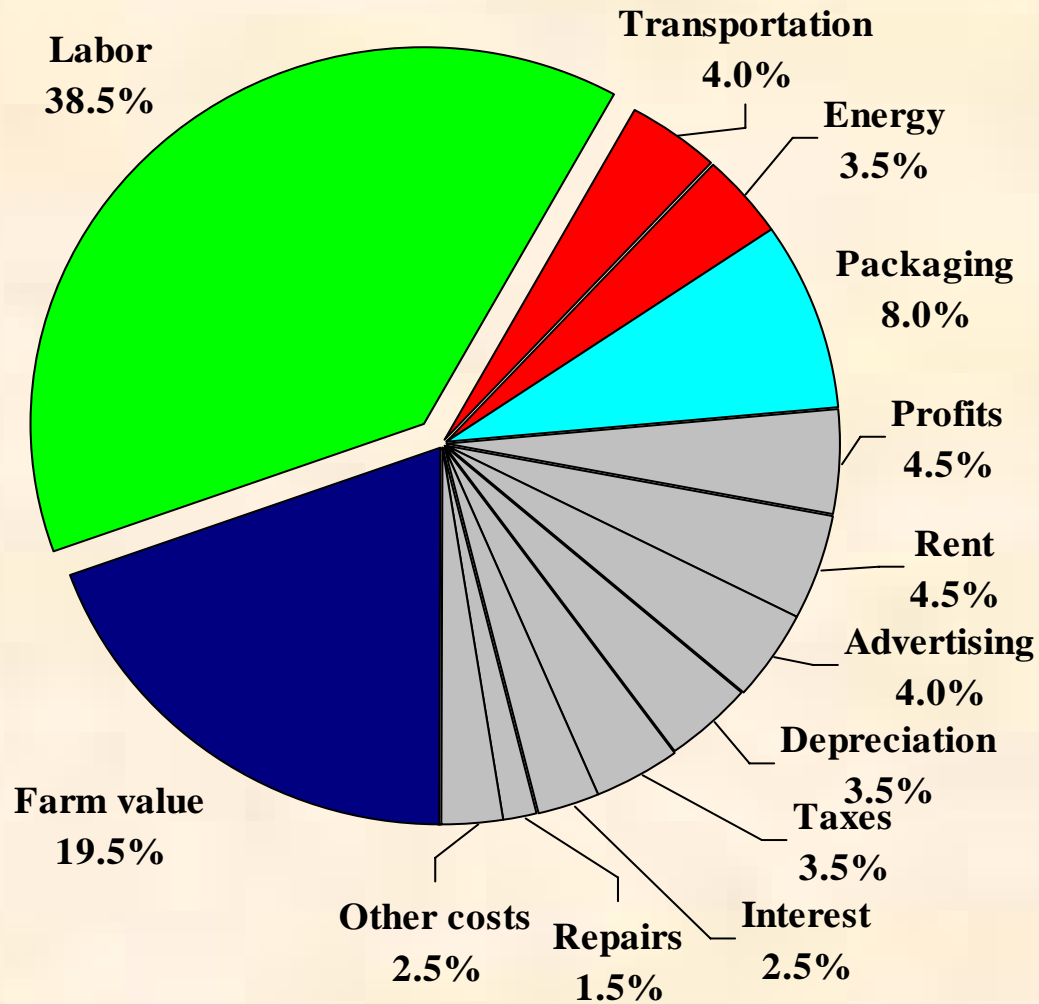


Broad Increases in Food Price Inflation.

Category	Relative Importance to CPI	Annual Percent Change June 2007	Annual Percent Change June 2008
Food at Home	7.7	4.6	6.1
Fats and oils	0.2	2.6	14.3
Cereals	1.0	4.6	10.4
Dairy	0.9	6.6	9.2
Fruits and Vegetables	1.2	4.2	7.6
Meats	1.8	6.0	2.9

Source: Bureau of Labor Statistics

Cost Components of US Food Marketing Bill (2005)



Source: USDA



Photos courtesy of USDA

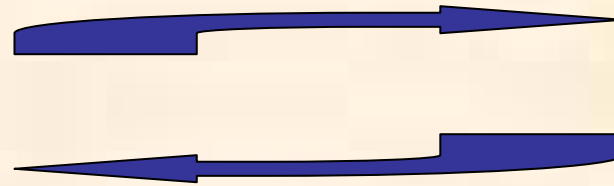
The Inflation Dilemma

Inflation: too much money chasing too few goods?

What is driving inflation: supply or demand?

Do higher farm commodity prices cause higher retail food prices?

***Farm
commodity
prices***



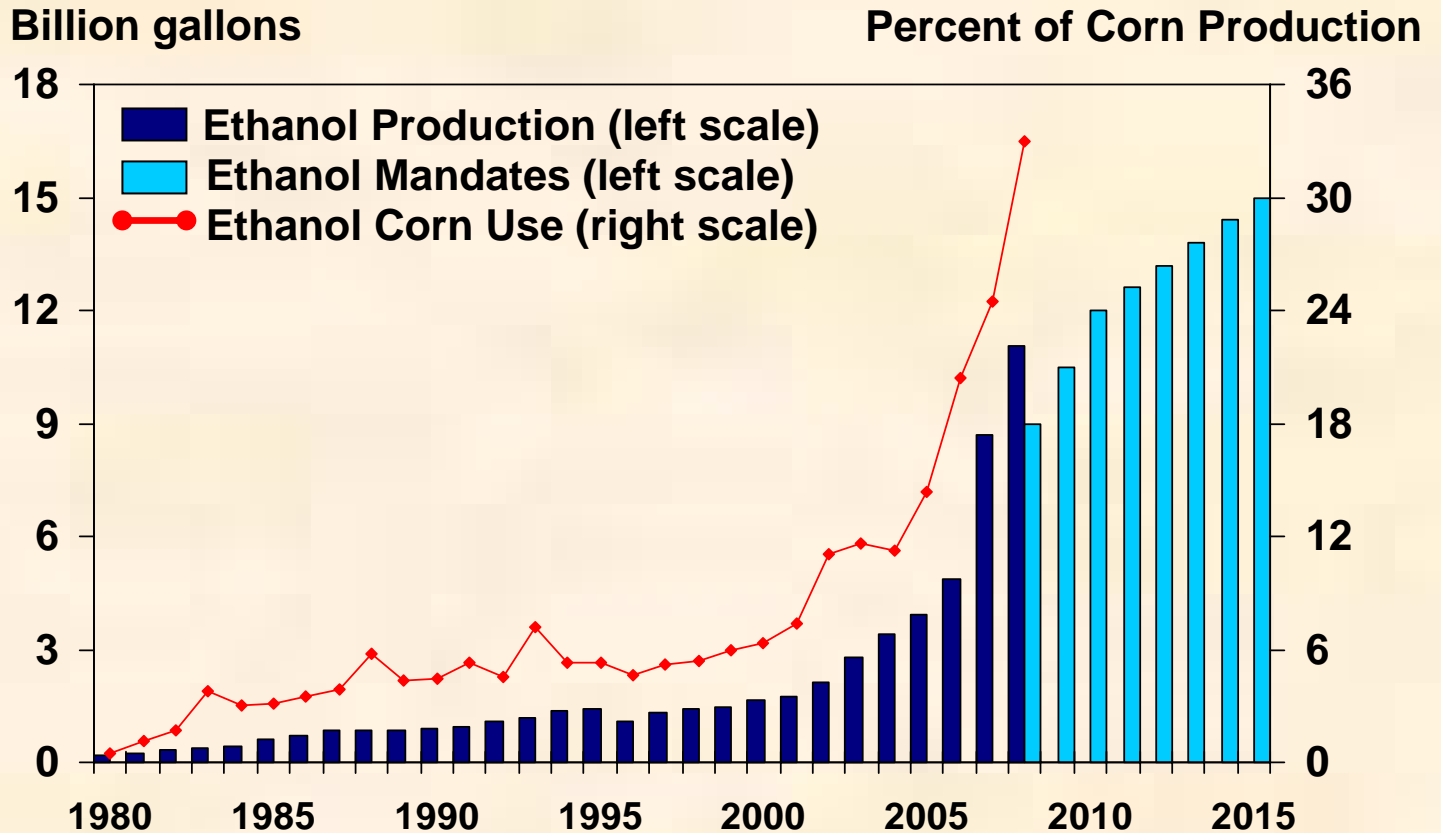
***Retail
Food
prices***

Do higher retail food prices cause higher farm commodity prices?



Ethanol Production Will Continue to Increase.

U.S. Ethanol Production, Mandates, and Corn Use

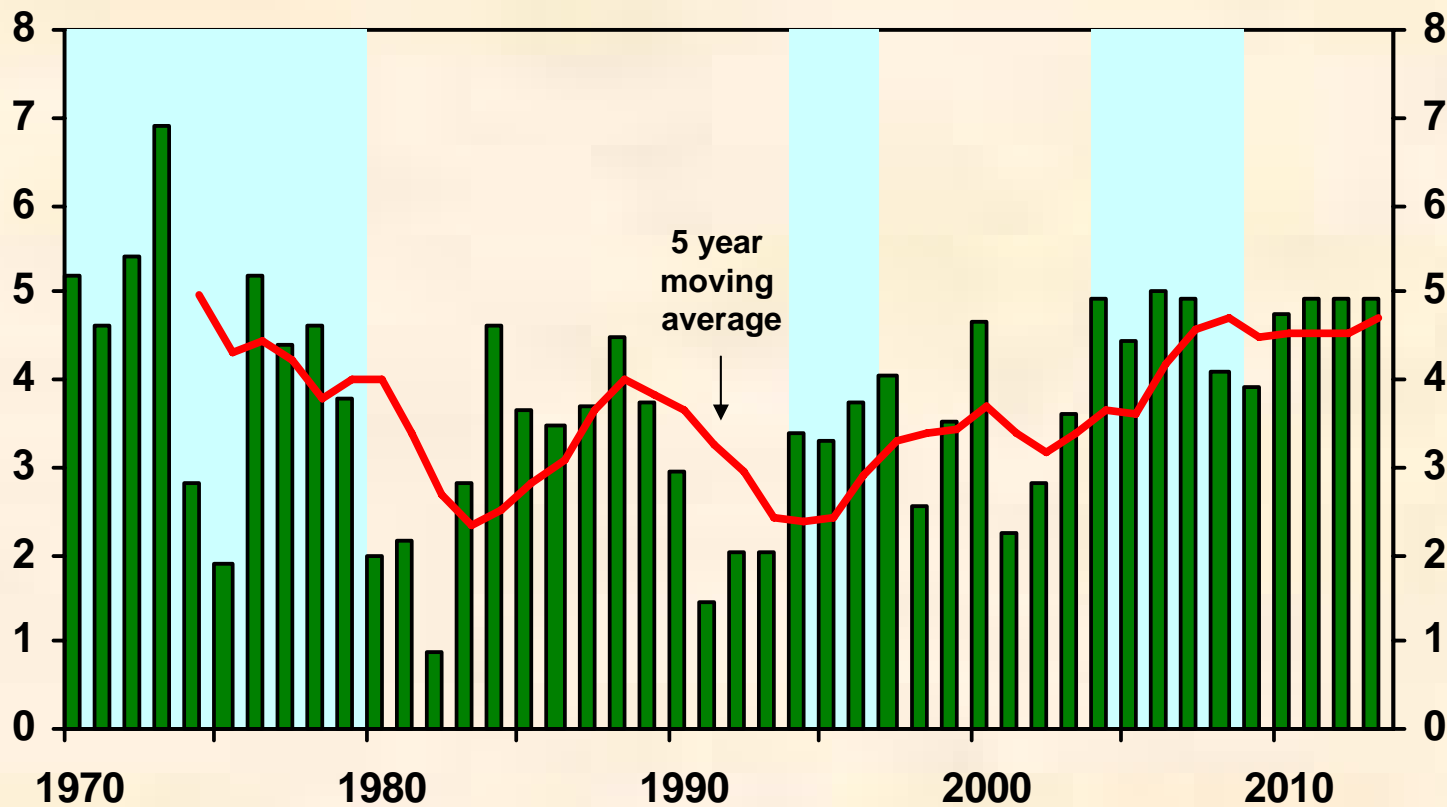


Source: USDA and Renewable Fuels Association

Strong Global Economies are Driving Energy and Food Demand.

World GDP Growth

Percent change

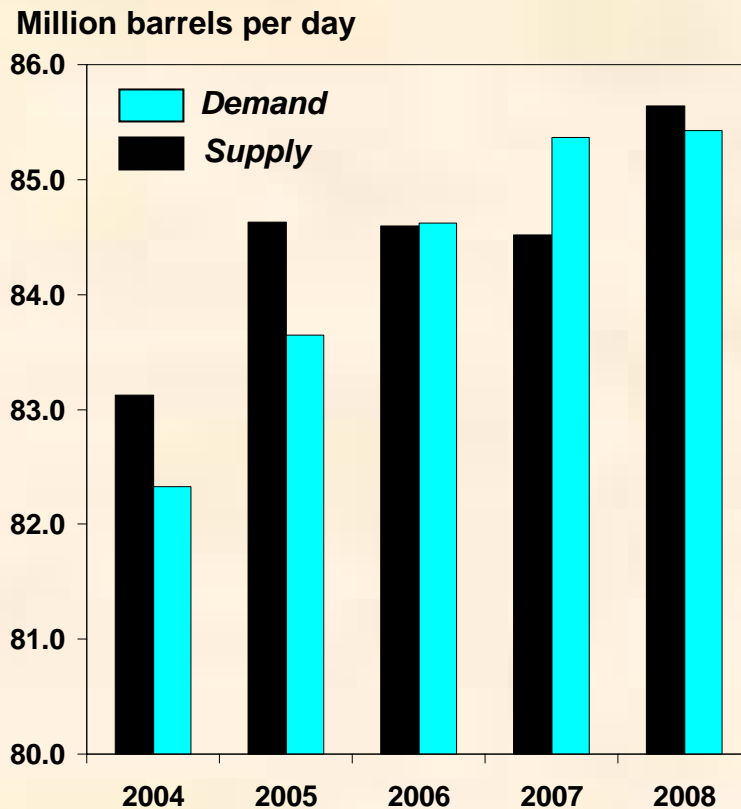


Source: International Monetary Fund

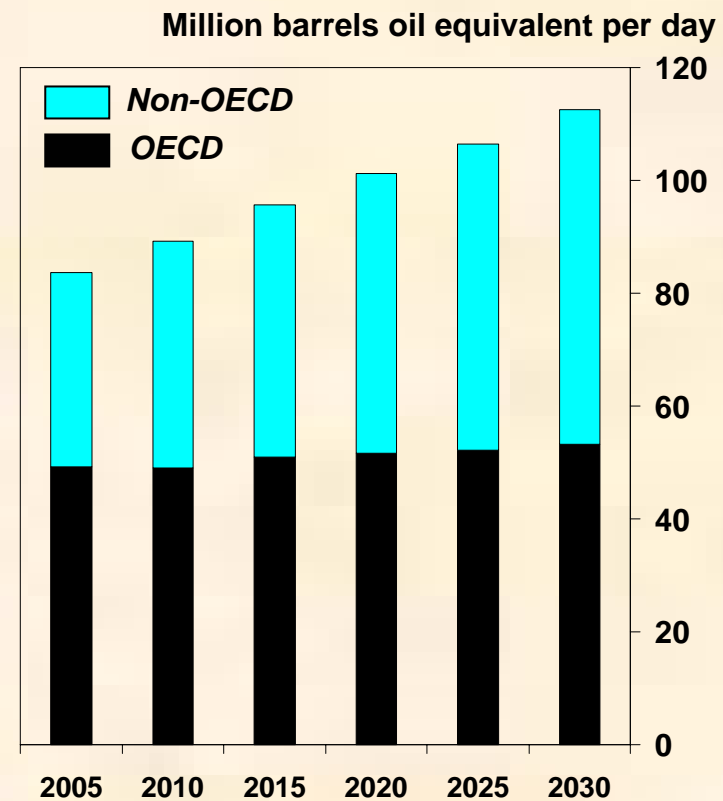


Will Energy Supplies Rise to Fulfill Increasing Energy Demand?

World Oil Balance 2004-2008



World Liquid Energy Consumption



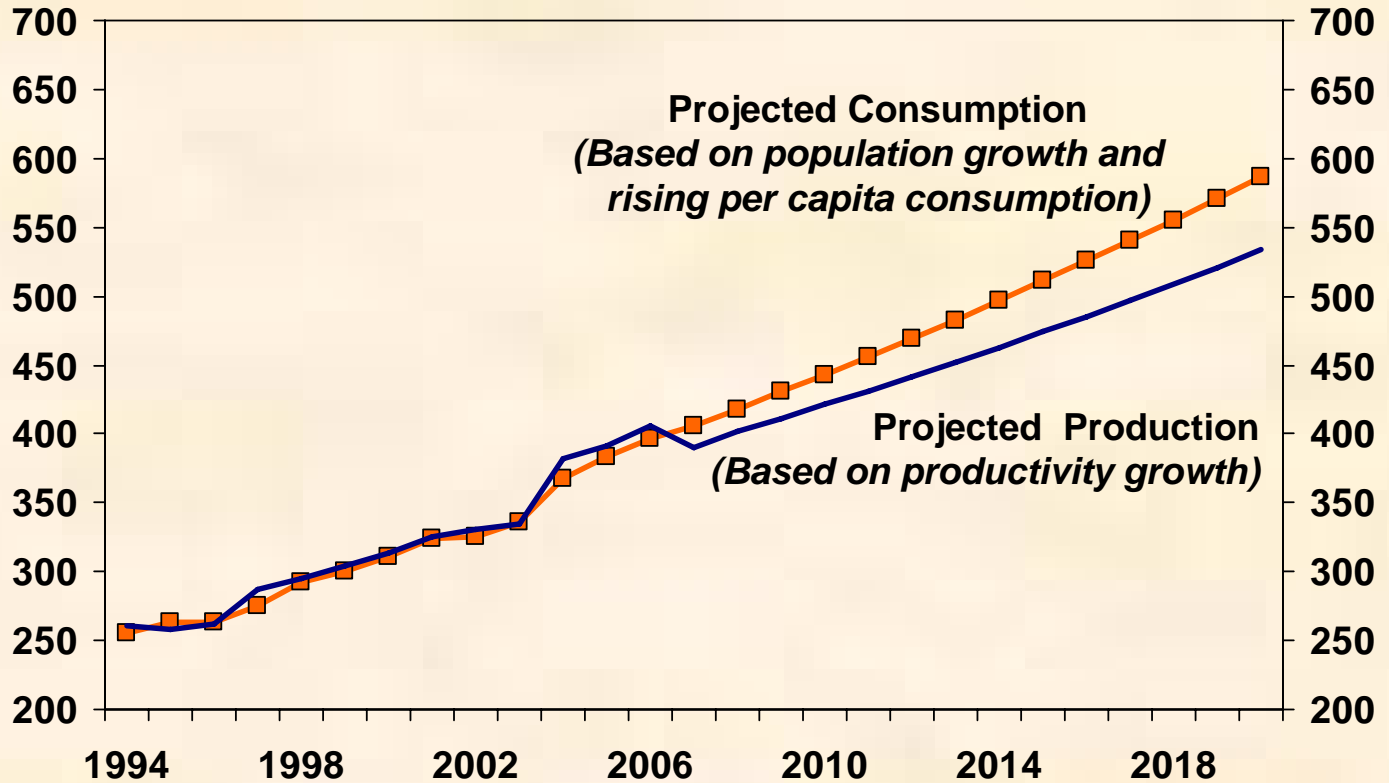
Source: Department of Energy and USDA



Will Agriculture Increase its Productivity to Feed a Larger, Wealthier Population?

World Oilseed Production and Consumption

Million metric tons



Calculations based on USDA and U.S. Census Bureau data

Agricultural productivity and per capita consumption growth from 1994 to 2007 are expected to hold through 2020.



Conclusion

- Is inflation supply or demand driven?
- Energy and food supply gains were limited in recent years.
- At the same time, robust economic growth boosted food and energy demand.
- Economic forces will shape the future.

When will higher prices trim demand and unleash a surge in supply?

