FAIRBANKS -- Food prices in Alaska could rise more quickly than they are nationally, due to the costs of shipping items to the state, an economist says.

"The energy prices will work their way into the food prices," says Dan Robinson, an economist with the Alaska Department of Labor and Workforce Development. "Everything is going to get more expensive as it gets more expensive to get stuff here. I don't think all those increased transportation costs have worked their way in."

Nationally, food prices are increasing faster than predicted for 2008, even as economists warn consumers to brace for record costs in 2009. U.S. Department of Agriculture forecasters recently upgraded their 2008 increase estimates from between 4.5 percent and 5.5 percent to between 5 percent and 6 percent, the largest annual hike since 1990.

And prices are expected to jump another 4-5 percent in 2009.

So far in Alaska, some retailers are shouldering the transportation costs rather than passing them on to customers, Robinson said, but that can't go on indefinitely.

Fuel prices are declining slightly, but it's hard to say whether that will be enough to offset the rise in prices through the first seven months of the year.

Robinson cushioned his analysis with a caveat -- inflation is "ridiculously uncertain" right now, and no one really knows how the picture will clear up.

"There are more questions now than usual," he said.

Bret Luick, a foods and nutrition specialist with University of Alaska Fairbanks' Cooperative Extension Service, surveys food prices quarterly through about 20 communities statewide. His team focuses on items on the USDA's thrifty menu list -- basically, items used to cook nutritious family meals -- to estimate how much a family of four with two school-age children would pay to eat at home for a week.

That total for Fairbanks was $126.04 in March 2008, down slightly from $127.59 in Dec.
Food prices in Alaska could outpace national increase

2007. Four years ago, the register would have rung $116.07; and 10 years ago, the total was $99.98.

Fred Meyer spokeswoman Melinda Merrill said the costs of doing business, from raw materials to transportation, are rising -- but the chain store is working to avoid passing price increases on to consumers.

"Our costs are absolutely going up faster than our retail prices are," Merrill said. "We're trying to ride this out."

Some prices are edging up in grocery stores, although the increases don't come close to paralleling the increases Fred Meyer is shouldering, she said. Transportation, in particular, is eating at budgets for Alaska stores.

Robinson said prices for many things -- including plane and cruise tickets -- haven't increased enough to keep pace with costs. That's partly because stores in competitive markets want to retain market share.

"You have to decide if your costs suddenly go up 10 percent, do you mark your stuff up right away, or do you just swallow some of it for a while," he said. "Once the prices are high permanently, then the price increases do have to get in. There's still a question now as to whether they are high permanently."

Due to transportation costs, prices in rural Alaska are expected to increase more dramatically than in large-population areas with access to rail and roads, Robinson added.