FAIRBANKS — Food prices across the country 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 and 5.5 percent to between 5 and 6 percent, the largest annual hike since 1990.

Prices are expected to swell by 4-5 percent in 2009.

Further coloring a gloomy picture, a state economist said Alaska’s prices could go up more than the national average as store stickers catch up with transportation increases that some retailers might be shouldering now.

“The energy prices will work their way into the food prices,” suggested 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.”

When those costs do worm their way into the price people pay at the checkout line, the overall increase could easily top national escalation, he said. And although fuel prices are declining a few cents per gallon, it’s hard to say whether that downward nudge is enough to offset a steady upward trajectory of 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.

Fairbanks food prices have been slowly building for years, according to data collected by Bret Luick, a foods and nutrition specialist with University of Alaska Fairbanks’ Cooperative Extension Service.

Luick surveys food prices quarterly through about 20 communities statewide. His team examines a shopping cart of items on the USDA’s thrifty menu list — basically, items used to cook nutritious family meals. They average prices and run some economic magic, coming out with a dollar value that sums up the price 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. 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 maintaining an upward trajectory — 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.

State economist Robinson said prices for many things — including plane and cruise tickets — haven’t increased nearly enough to keep pace with costs. Prices paid at the checkout stands could hover in competitive markets where stores wanting to retain market share are willing to absorb more of the cost increases.

“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.

The USDA said increases are driven by stronger global demand for food; increased U. S. agricultural exports attributable to a weak dollar and strong demand; weather-
related food production problems; and the increased use of some food, such as corn, for biofuels.