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Harsh N.J. winter, rising food prices put economic strain on residents

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By Robert Stern

Paul Birnbaum has shelled out a lot more money to heat his Ewing house with oil this winter than he did last year, despite lowering the temperature on the thermostat.

“I notice that oil has gone up 50 percent but our income has not,” said Birnbaum, a computer consultant who lives with his girlfriend, a state worker, and her brother, who is a building contractor.

Birnbaum’s monthly heating-oil bill last winter was just over $250. This winter, he said, it soared to $366.

The increase is also reflected in the per-gallon cap on his heating-oil contract, which climbed to $3.84 from $2.76 a year ago. The actual price of his most recent heating-oil bill came to $3.50 per gallon, he said.

The increases are partly due to the unusually harsh first half of winter that the Northeast endured, driving up demand before last week’s balmy relief. as well as a steep rise in fuel oil prices since January 2010.

Nationally, the price for fuel oil in the 12-month period through January of this year soared 17.3 percent, according to the U.S. Bureau of Labor Statistics’ latest Consumer Price Index data.

That component of the CPI had the highest increase during that 12-month span, helping nudge the CPI upward by 1.6 percent.

Food prices in the United States have been increasing as well, putting additional pressures on consumers’ purchasing power.

Birnbaum said he now spends about $120 on his biweekly grocery shopping, in addition to produce and other fresh food items he stocks up on more frequently so that they don’t spoil.

Last year at this time, he said, he was spending $70 to $90 on nonperishable groceries every couple of weeks. The additional expense this year, he said, stems simply from higher costs rather than a shift in his buying habits.

“But I am changing when and how I buy things,” he said. “I gear my shopping to when things are on sale.”

Despite Birnbaum’s experience and a slew of recent media reports about ballooning food prices around the world, data from the U.S. Department of Agriculture suggest that the food-price sticker shock across the nation this year will be fairly modest.

Overall, U.S. food prices are projected to be 2 to 3 percent higher in 2011 than they were last year, a figure that's in line with the historical average inflation rate for food.

Even so, in that range, consumer food prices this year could expand at almost four times the rate they did last year — 0.8 percent, which was the lowest food inflation rate since 1962, according to the USDA.

The domestic food price situation is far less ominous than the global picture portrayed by the U.N. Food and Agriculture Organization.

It reported that its food price index — a measure of the monthly change in international prices of a basket of food commodities — increased 3.4 percent just from December 2010 to January of this year, rising to its highest level since the index was created in 1990.

Devaluation of the dollar has been reported as one factor fueling the rise in international food prices.

Other contributing factors, though, are a series of weather-related crop failures abroad and an expansion in recent years in the amount of U.S. farmland dedicated to growing corn to produce ethanol as an alternative fuel, said Professor Don Vandegrift, chairman of the economics department at The College of New Jersey.

Dedicating farmland for ethanol production has decreased the amount of farmland used for growing corn and other crops for food, Vandegrift said.

Whether all of this will translate into dramatic inflation in U.S. consumer prices is unclear, he said.

“There are lay people who believe there’s still enough slack in the economy that they won’t see prices build,” he said.

While he noted that “we’re starting to see (upward) price pressures in raw materials and farm output,” he said it remains to be seen what effect these pressures will have on consumer costs and the economy.