

Analysis: Fresh Fruit and Vegetable Prices Inflation

Return to “normal” not expected until 2023



S&P Global
Commodity Insights

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Some overall trends to consider:

- Fruit and vegetable prices have risen at different rates, largely due to a combination of factors affecting supply chains.
- Higher producer and wholesale prices do not tell the whole story for rising retail prices.
- Prices generally expected to return to normal seasonal patterns by 2023

As producers, wholesalers, retailers, and consumers navigate the new landscape, the key question has been what does this mean for prices? If a commodity isn't traded on global exchanges this is a more difficult question to answer. Fruits and vegetables have been an area where transparency can be difficult, given the high volume of different products in the category. Buyers and sellers also may have limited ability to mitigate negative impacts of price movements since the products are highly perishable. This report looks at the ongoing cost and inflation picture for selected fresh fruit and vegetable categories: apples, bananas, oranges, lettuce, and potatoes.

S&P Global Commodities Insights is expanding its price reporting service to include over 900 monthly prices globally in its fresh and beverages channels, covering dozens of fruits, vegetables, and juices/concentrates categories. If you would like to learn more or are interested in subscribing to this service, click [here](#).



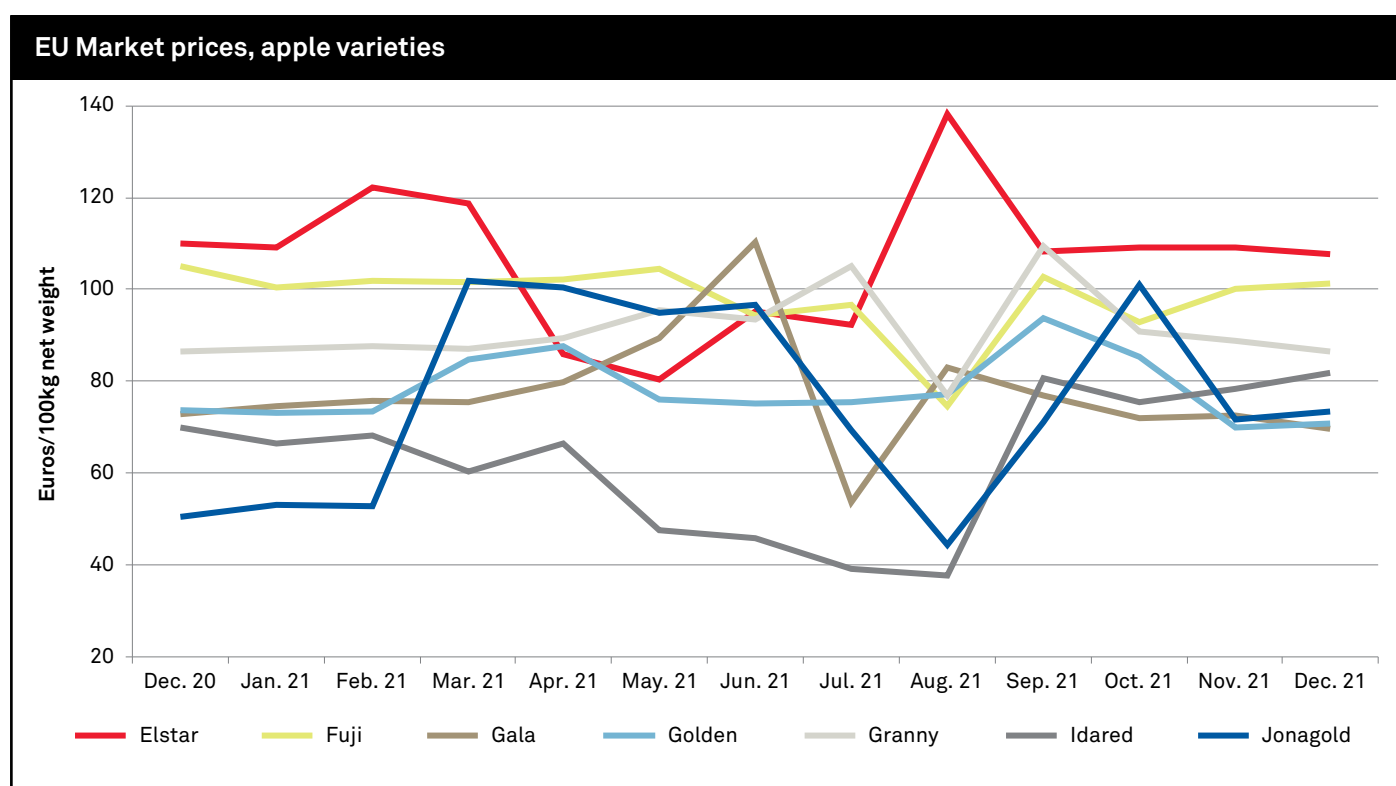
Apples

For apples, Commodities Insights analysis shows the US producer price index (PPI) for Golden Delicious, Granny Smith, and Red Delicious apples were up 25%, 13%, and 23% respectively in December 2021 y/y. PPI is a measure that tracks the prices received by producers for a given commodity.

Moving through the supply chain, in December 2021 US apple wholesale prices were up 50% for Golden Delicious apples, 55% y/y for Granny Smith apples, 13% y/y for Gala apples, and 44% y/y for Fuji apples. The most recent US wholesale prices for Red Delicious apples from November 2021 also show a y/y increase of 45%. This has inevitably affected retail prices. Consumer price index (CPI) data from the US Bureau of Labor Statistics showed that in January 2022 US apple retail prices were up 6.8% y/y.

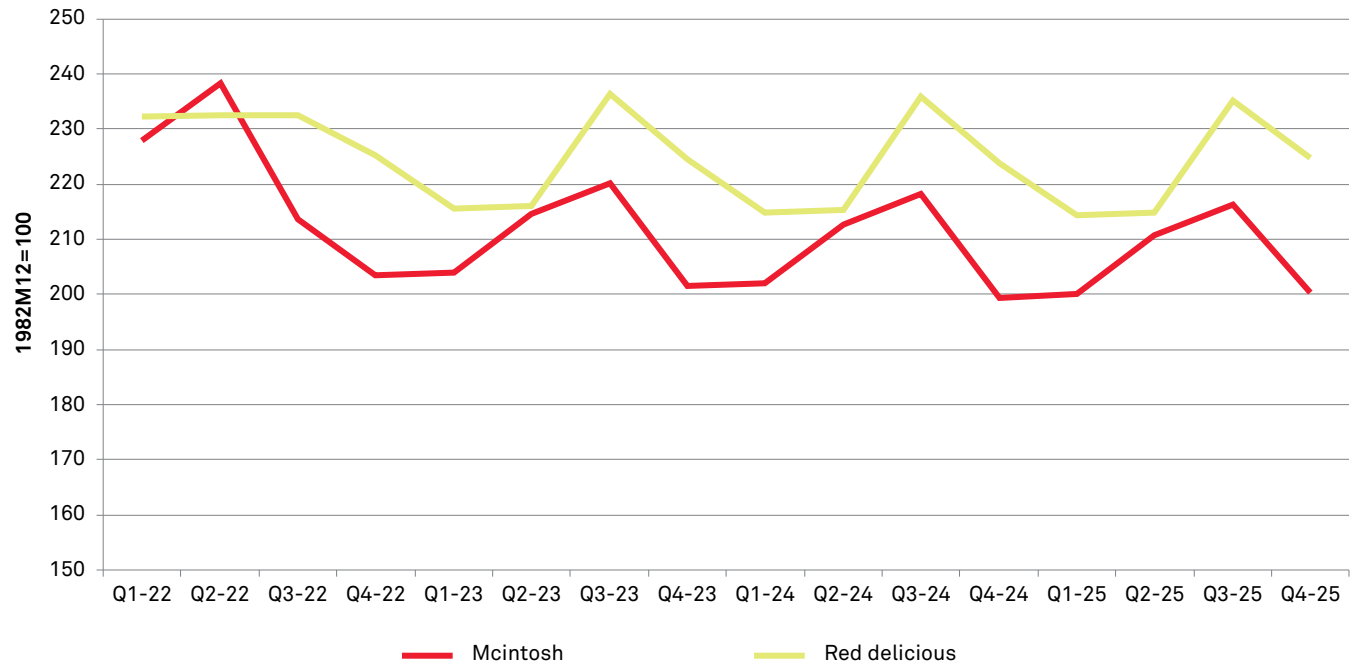
European apple stocks were up 5.1% y/y at the end of 2021 at approximately 4.3 million tonnes, according to the World Apple and Pear Association (WAPA). Stocks of Golden Delicious, Jonagold and Gala were up 20%, 16% and 16% y/y respectively. Commodities Insights projects export prices in France, Italy and Poland to remain comparatively stable over the next year.

European fresh apple consumption rose during the pandemic, bucking a previously downward trend. However, there were limited inflationary effects on retail prices. The increase in EU apple supplies following a good 2021 harvest was offset by increased fresh apple demand as well as increased demand for apple juice concentrate. While there has been volatility in EU market prices for apples over the past year, as in most other parts of the global economy, the y/y trend for many varieties has remained relatively flat as a result.

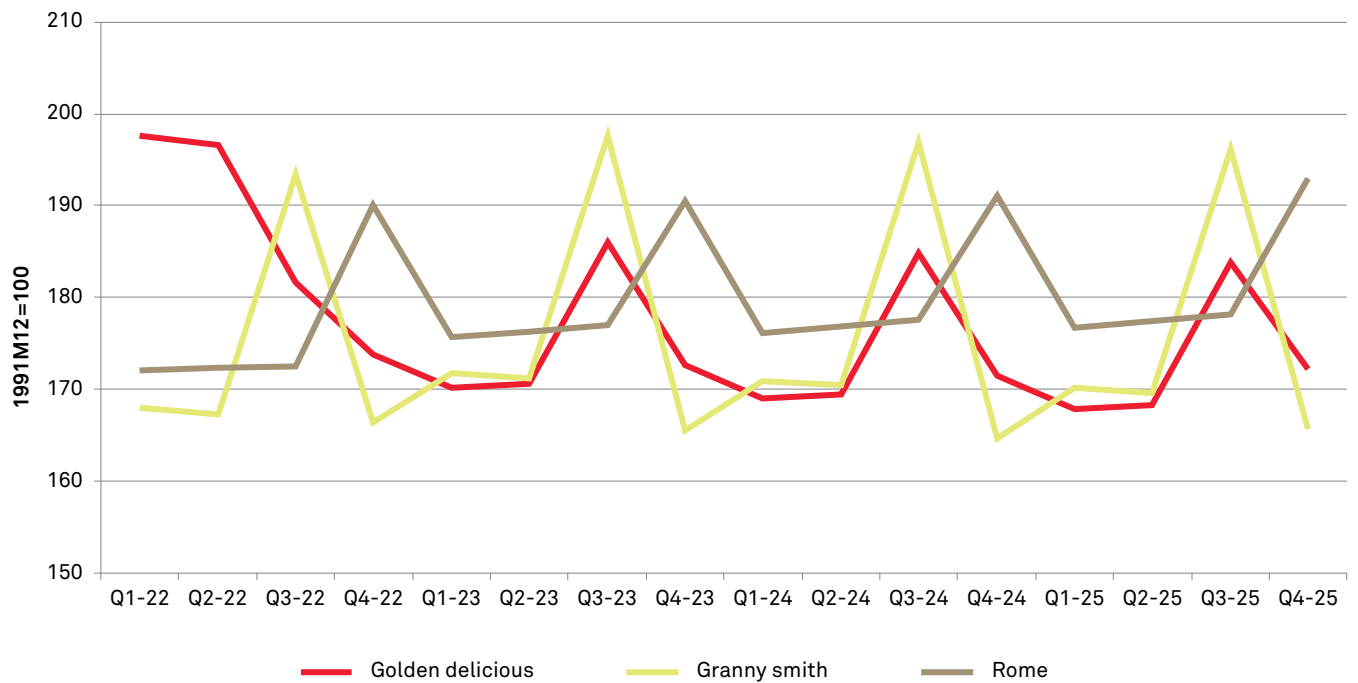


Looking ahead in the United States, S&P Global Commodity Insights forecasts the PPI for Golden Delicious, Red Delicious, and McIntosh apples to decline in the remainder of 2022, while the PPI for Granny Smith and Rome apples are expected to fluctuate in the near term in line with normal seasonal trends. Rome apples are expected to increase in price over the long term, while prices for other varieties is expected to remain stable. Also, by mid-2023, PPI for all varieties is expected to return to a normal seasonal pattern. Near-term, the decline in PPI for Golden Delicious and McIntosh apples may provide some relief downstream on retail prices. However, unless significant improvements are made in supply chains in the short-term, which at present appears unlikely, we expect downstream apple prices more broadly will remain elevated until we see the return to seasonal “normalcy” in 2023.

US PPI, apple varieties



US PPI, apple varieties

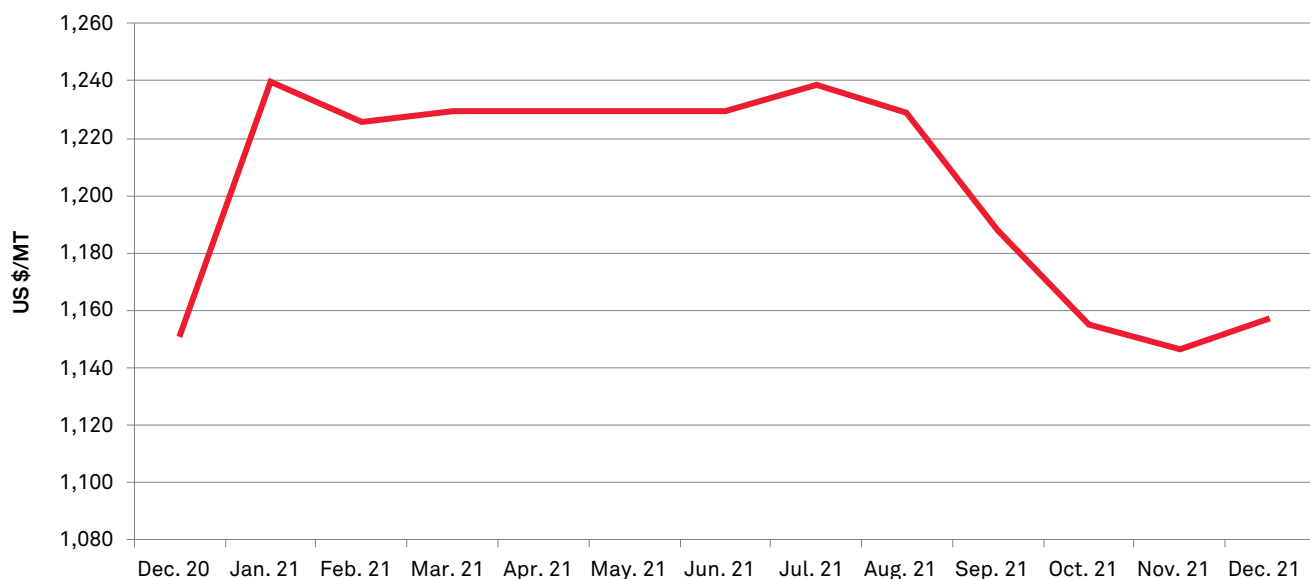


Bananas

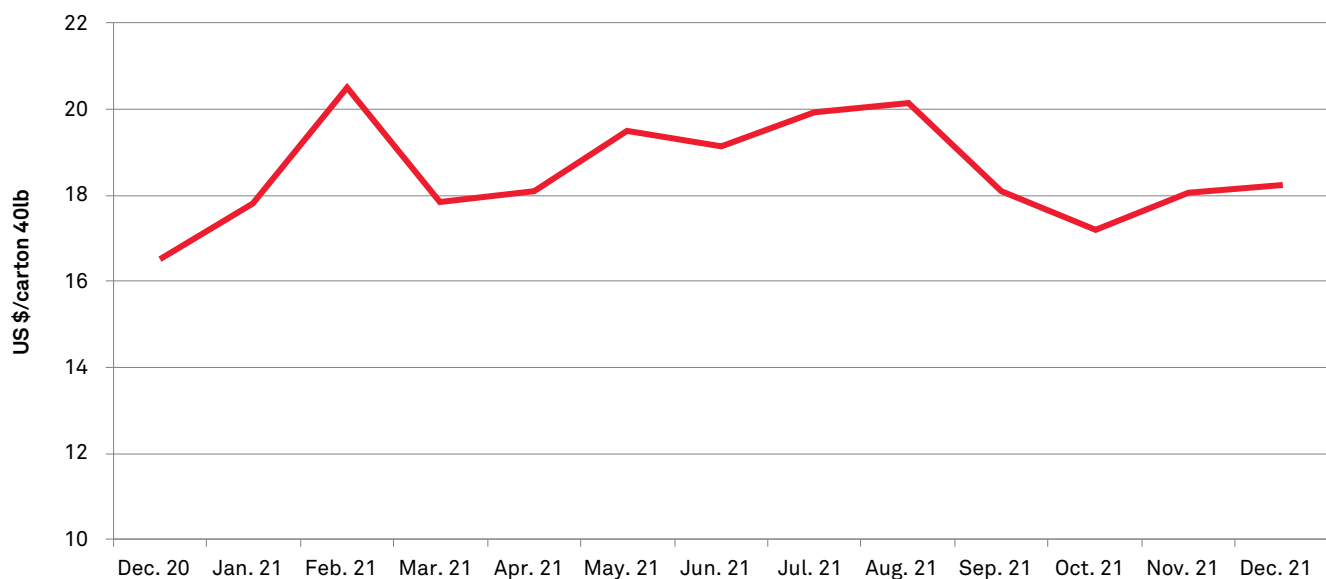
Latin American banana exports have been hit especially hard by supply disruptions. Cargo shipping has faced both delays and shortages of available chilled containers, and many countries in the region were hit particularly hard by Covid-19 causing inevitable labour impacts. Ecuador as one example saw a 5.1% decrease in exports y/y for the period covering January-September 2021, though some improvements were seen in the final months of the year. Despite these issues, Commodities Insights price data shows December 2021 Bananas FOB from central America bound for the US were only up 0.6% y/y and up 0.9% compared with 2019. Though it is important to note that prices are generally low during this time of year.

December 2021 US wholesale prices, however, were up 10.6% y/y and 22% over 2019, indicative of higher costs to move the product through the supply chain, such as freight rates.

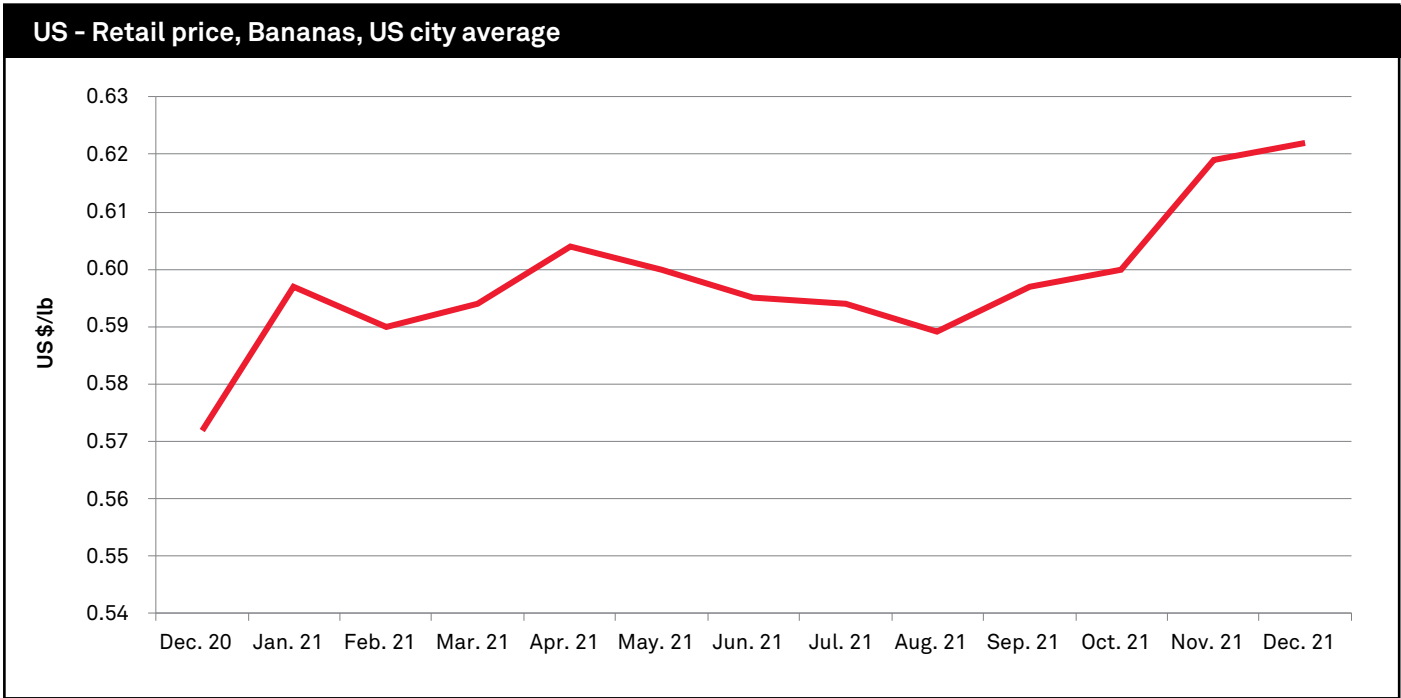
US - Bananas, Central American, FOB, ports



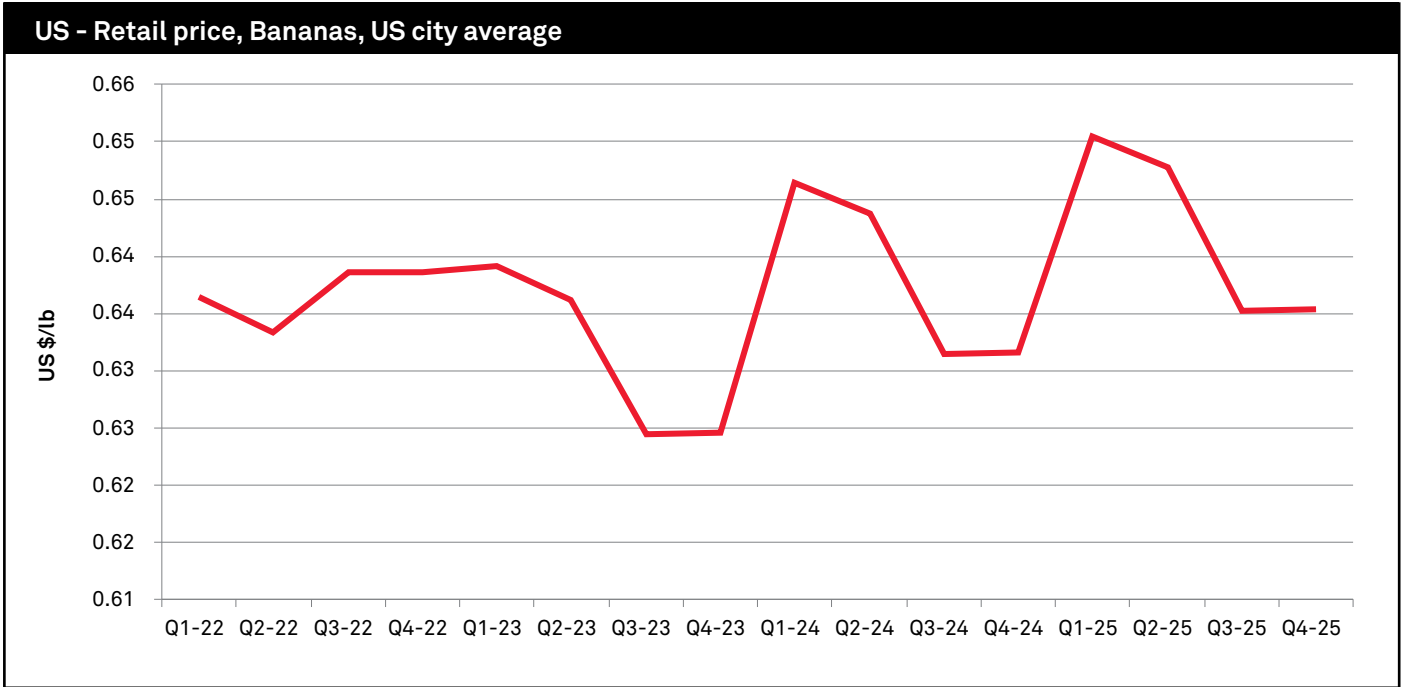
US - Wholesale price, Bananas, Chicago market, All Origins



S&P Global Commodity Insights data shows a December y/y retail price increase for bananas of 8.7%, higher than December 2021 US Bureau of Labor Statistics CPI figures, which show a 12-month increase of 6%. Commodities Insights projects US retail prices for bananas to increase slightly and remain at elevated levels throughout 2022. January 2022 US CPI data from the Bureau of Labor Statistics showed a 1.2% increase m/m in retail banana prices compared with December 2021.

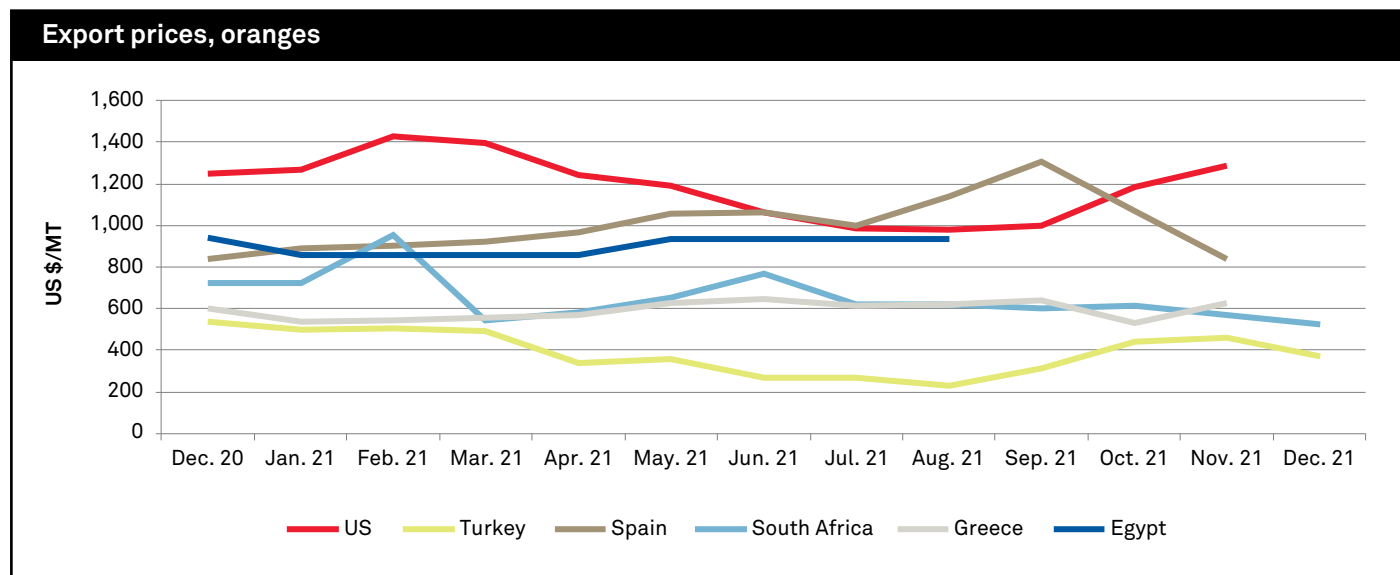


Looking ahead, S&P Global Commodity Insights projects retail banana prices to remain constant throughout 2022. Seasonal fluctuations in prices are projected to return to a normal pattern in 2023 in an upward trend with price swings of 3-5%. Although it is noted that these variations in price are small in real terms, representing one to three cents per pound.



Oranges

Global orange production is up slightly for 2021/22, but varying output levels around the world has created significant variation in export prices. Production is down in the US, EU, and Egypt, with the US near historic lows. Production in Turkey is up significantly, and high inflation of the lira has driven down prices relative to the US dollar which made exports more attractive.

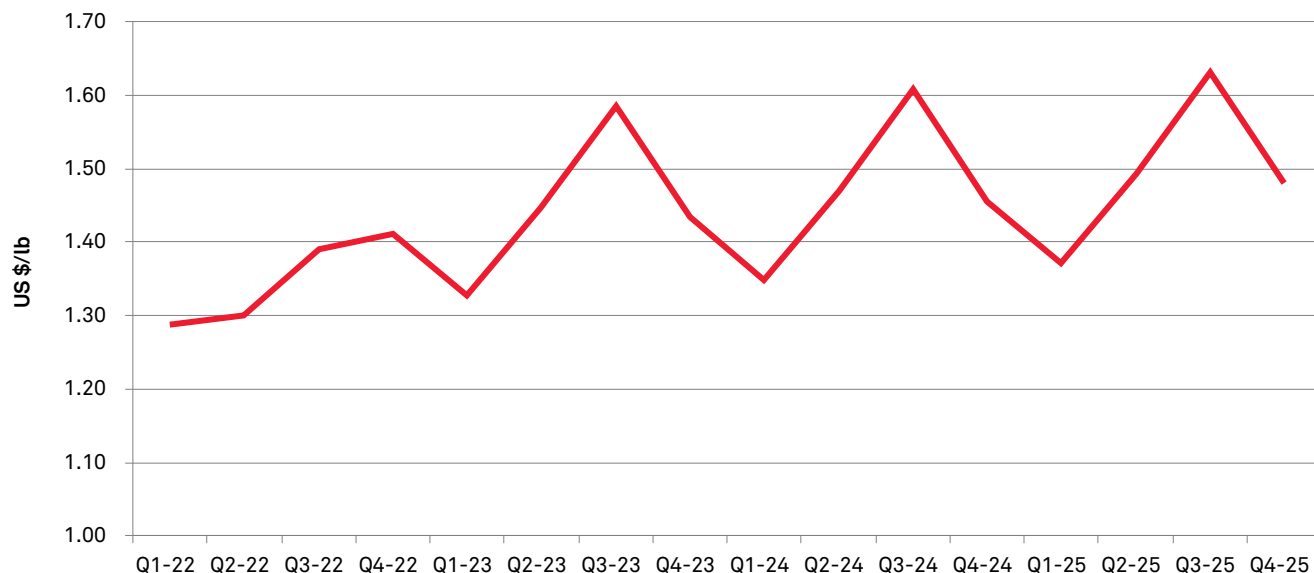


Increased input costs for US orange producers have been higher in the second half of 2021, due to the combined factors already mentioned, such as shipping and energy costs. Due to seasonal differences in orange varieties, this has had a disproportionate impact on Navel orange producers. S&P Global Commodity Insights data shows PPI for US Navel oranges was up 24% y/y in December 2021, the beginning of the navel harvest season. The previous y/y change in December 2020 was only a 3% increase over December 2019. PPI figures for US Valencia oranges, however, showed only a 6% y/y increase in March 2021, the beginning of the Valencia harvest season, and the latest figure from October 2021 at the end of the season showed a 20% decline y/y.

Given lower production and higher input costs, US CPI for oranges showed retail prices up 10.2% y/y as in January 2021, according to the US Bureau of Labor Statistics. Commodities Insights data shows the US retail price for navel oranges up 9% y/y as of December 2021.

Going forward, orange prices are expected to continue rising, with seasonal fluctuations resuming in 2023 as is the case with the other crops in this paper, as economic conditions return to some semblance of "normal". Expected highs in the third quarter in coming years is expected to be more than 20% higher than current prices. Lower seasonal prices in the first quarter are still expected to be approximately 2-5% higher than equivalent first-quarter prices currently.

US - Retail price, Navel, US city average

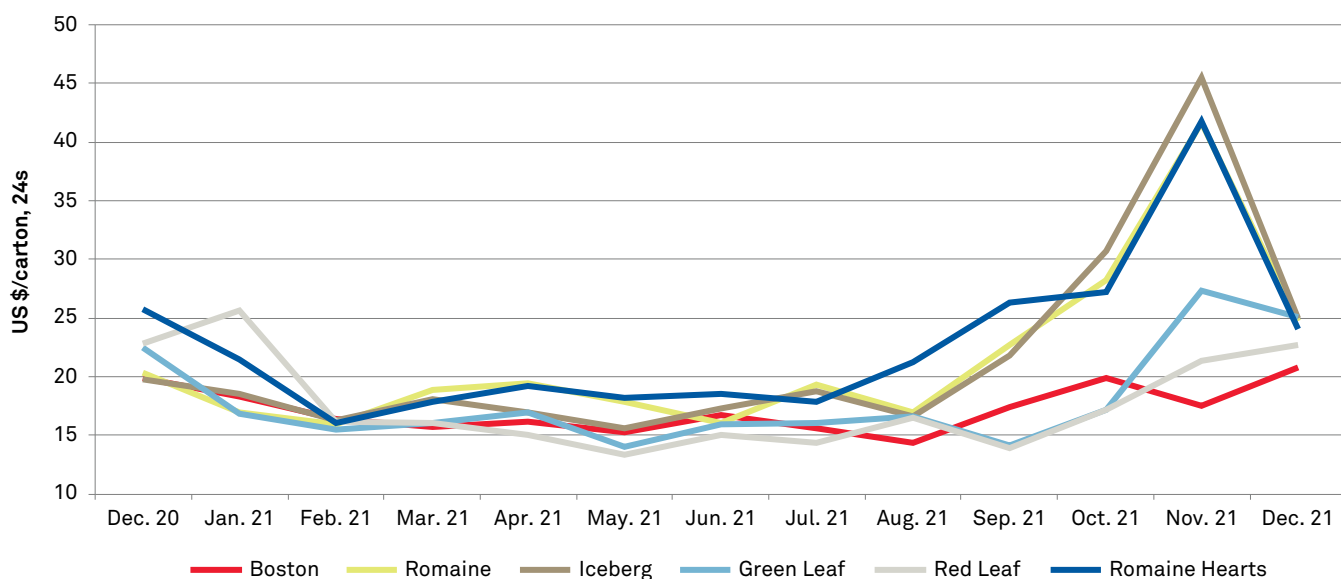


Lettuce

The S&P Global Commodity Insights US PPI data for lettuce showed a huge y/y increase of 96% in December 2021. However, the sizeable percentage change on an annual basis is in part explained by a PPI decline in December 2020, which saw a 34% decrease y/y over 2019. Lettuce demand has been unpredictable through the pandemic, and many producers planted less acreage in 2021 in response.

US wholesale prices in December 2021 showed a 6.1% increase y/y for Boston lettuce, a 22% increase y/y for Romaine, a 27% y/y increase for Iceberg, an 11% y/y increase for Green Leaf, a 0.4% y/y decline for Red Leaf and a 6.8 y/y decline for Romaine Hearts.

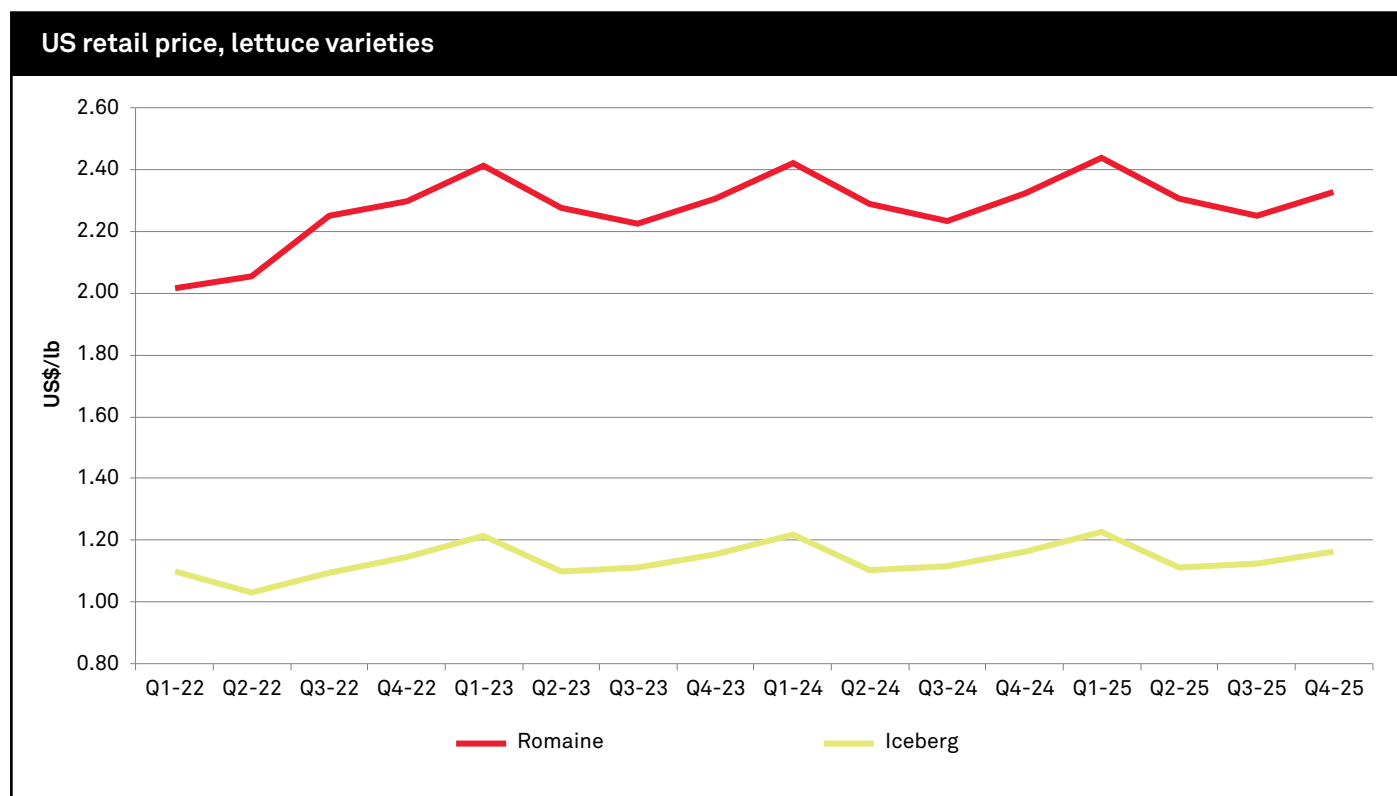
US Wholesale prices, Lettuce



The most recent available data from November 2021 shows US lettuce export prices were up 2.3% y/y. Mexican export prices for November 2021 increased 9.9% y/y, though this reflects the end of their peak production season after prices remained lower y/y from July through October. Mexico regularly supplies over 90% of US lettuce imports.

While lettuce is produced year-round in areas such as Mexico and California, North American supplies are generally largest between February and August. This seasonal impact can be seen on wholesale prices above, but there remains a general upward trend in the second half of 2021 consistent with reduced harvests on lower acreage and broader economic inflation during this period. In the US, Bureau of Labor Statistics CPI data for fresh lettuce showed an increase in fresh lettuce retail prices of 6.2% y/y in January 2022.

S&P Global projects US lettuce retail prices for both Romaine and Iceberg to continue increasing throughout 2022. Romaine is projected to top \$2.40 per pound in the first quarter of 2023. Iceberg lettuce is projected to top \$1.20 per pound. Romaine is projected to rise more sharply than Iceberg, increasing 19% by the first quarter of 2023, compared with 10%.



Potatoes

The US PPI for potatoes for December 2021 showed a 29% increase y/y. However, this followed a decrease in December 2020 and the increase from December 2019 to 2021 was only 1%. Wholesale white potato prices in the US were down 3.9% y/y in December 2021, while wholesale round red potato prices in the US were up 54.3%. Potato processors have faced shortages of labor, packaging and other necessary inputs, and have focused on highest-demanded products in response, which in part explains the significant difference between varieties.

Potatoes also faced a significant spike in demand at the beginning of the pandemic because of their long shelf life, but this demand did not sustain in 2021. According to data from USA Potatoes, in the US from January to December 2021, fresh potatoes decreased 7% y/y in value and 10.4% y/y in volume sold. There was also not a sufficient increase in demand in processed potato categories to support prices. The data from USA potatoes shows frozen retail sales decreased 3.8% y/y in value and 5.3% y/y from January to December 2021. Potato demand from food service also has yet to fully recover from the pandemic.

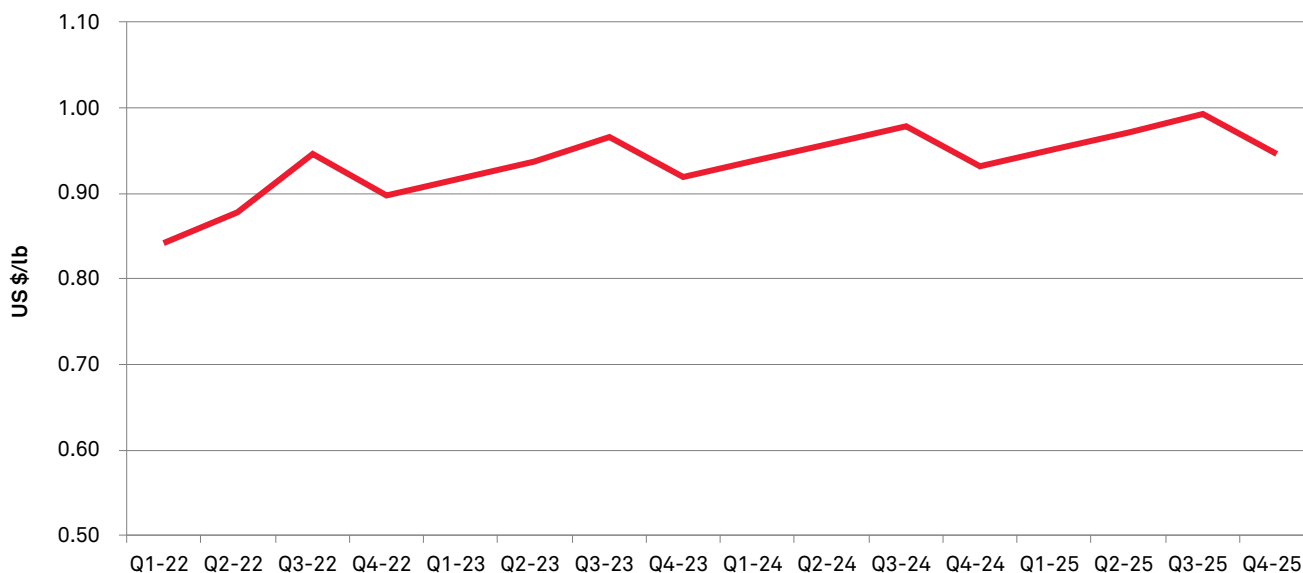
US potato retail sales Jan-Dec 2021

	Value \$	Y/Y %	Volume lb	Y/Y %
Crisps	6647574376	0.2%	1274374777	-5.2%
Fresh	3103804186	-7.0%	3755522578	-10.4%
Frozen	1984714302	-3.8%	1439013895	-5.3%
Dehydrated	581863622	-8.9%	160411709	-8.7%
Refrigerated	711195752	2.5%	275776786	-1.6%
Deli-prepared	352351073	11.5%	88854775	7.3%
Canned	48414245	-16.4%	51890592	-18.8%

CPI data from the US Bureau of Labor Statistics showed US retail fresh potato prices only increased 0.1% y/y as of January 2022. However, analysis by Commodities Insights shows a January 2022 y/y increase of 3.9%.

Potato demand is projected to normalise by the end of 2022 in line with the economic recovery from Covid-19 and an accompanying increase in foodservice demand. While prices for products such as banana and oranges are expected to remain stable or only increase modestly in 2022, potatoes and romaine lettuce are projected to rise more rapidly in retail prices this year. Between the first and third quarter of 2022 retail prices are projected to rise 13%.

US - Retail price, Potatoes, white, US city average



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