Rising Food Prices Don't Mesh with Government Inflation Numbers

February 19, 2014 - The issue of rising food prices has been one that we have covered in the past, but it has been a while since our last article on the topic. Within the past week we were pleasantly surprised to see this topic covered by CBS News. Their conclusion was much the same as ours. There is a real disconnect between the inflation numbers being reported by the government and what the average American consumer is actually spending at the grocery store.

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Anyone who does the weekly grocery shopping for their family can tell you that their money doesn't buy as much as it used to. As you'll see in the video report below, the price of bacon alone has jumped nearly 23% in the past year. But that's nothing close to the government estimates on inflation which are under 2% for the past year. How can that be?

Well, there are several factors at play here. First, the government uses the Consumer Price Index in its reporting. The CPI however is a cost of living estimator; not a measurement of real inflation. Inflation and cost of living are actually different things but the media likes to use them interchangeably.

Secondly, the government excludes food and energy costs from its reporting, so the cost of bacon and heating oil don't countâ€¦ unless or course you live in the real world.

And there is also the matter of the amount of money in circulation. The FED and the Federal Reserve have pretty well turned on the printing presses over the past few years. They call it "quantitative easing." In fact, it works just like a new tax on the economy but it is hidden. Last year, inflation due to the increase in the money supply stood at roughly 5%. Put another way, a dollar printed at the beginning of 2013 was only worth 95 cents by the end of the year.

But these aren't the only issues with regard to the cost of food. The weather has had a large impact. Cold throughout much of the farm-belt, and an ongoing drought in the southwest are affecting agriculture around the country. All of these things have become a "perfect storm" to force up food prices and squeeze cash strapped middle-class families. And they provide a much better barometer of actual inflation than anything that the government is currently reporting.

Here is the report from CBS.

byJim Malmberg
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