

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

Jun. 30, 2014

Food prices are rising. And inflation, that word common in American conversation 25 years ago, is eating up wage gains.

The Federal Reserve reports inflation rose 1.8 percent in May compared to a year earlier, the biggest 12-month gain since October 2012.

It's no accident. Policymakers including Federal Reserve chairwoman Janet Yellen are shooting for a 2 percent annual rise. And they're getting help from Mother Nature.

Fruit and vegetable prices are on pace to rise an estimated 6 percent over the next few months, U.S. Agriculture Department analysts say.

One big reason: Drought has parched farms and ranches throughout the west.

"You're probably going to see the biggest produce price increases on avocados, berries, broccoli, grapes, lettuce, melons, peppers, tomatoes and packaged salads," said Arizona State University agribusiness expert Timothy Richards.

Water prices have soared in California, which accounts for half the nation's fruits and vegetables, and most high-value crops, such as broccoli and tomatoes. Farmers in turn have idled about 500,000 acres.

"Lettuce prices increased the most, and that's a direct result of the California drought," USDA economist Annemarie Kuhns said. "Almost 70 percent of the nation's lettuce is grown in California."

Rice, another big California commodity, also has been strained by three straight dry years. Rice prices could jump another 10 percent to 20 percent this year, said University of California agriculture analyst Daniel Sumner.

Drought in Texas and Oklahoma already has pushed beef prices up 9 percent this

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

May across the nation after the 0.2 percent decline in April, the U.S. Commerce Department reported on Thursday.

“Consumer spending could struggle in an environment where wages don't accelerate, particularly if inflation starts to move up,” said Emanuella Enenajor, an economist at Bank of America Corp. in New York.

Four years after the recession was declared over, wages and salaries in Greater Memphis had risen 4.6 percent since 2009 to average \$41,220 in 2013, the U.S. Bureau of Labor Statistics reported in April.

That compares with U.S. wage gains every year averaging 4.3 percent as the nation came out of previous recessions.

“My own expectation is that as the labor market begins to tighten, we will see wage growth pick up some,” said Yellen, the Fed chair. “If we were to fail to see that, frankly I would worry about downside risk to consumer spending.”

Officials at the Fed, which has been flooding the economy with money as a stimulus measure, prefer 2 percent inflation out of concern disinflation will make it difficult for borrowers to pay off debts and for businesses to boost profits.

Fed officials have said 2.5 percent inflation would be tolerable if the labor market needed more stimulus.

Elsewhere in Washington, President Barack Obama insisted Congress raise the federal minimum wage to \$10.10 per hour, but the issue sputtered. Meanwhile, some states have acted.

In Minnesota, lawmakers recently approved raising the minimum hourly wage for all workers to \$9.50 by 2016. Hawaii, Maryland, Connecticut and Massachusetts also plan gradual increases.

South Dakota voters will consider an \$8.50 minimum wage on the Nov. 4 ballot. But

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

The Associated Press, Bloomberg News and the Los Angeles Times contributed to this report. Copyright 2014 – The Commercial Appeal, Memphis, Tenn.

Accounting • Firm Management • Income Tax • Payroll

CPA Practice Advisor is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors.

© 2024 Firmworks, LLC. All rights reserved