



QUARTER 3 - 2024 10.15.24  
**COMMENTARY**

Market/Index	2021 Close	2022 Close	2023 Close	2023 Change	As of 9/30/24	2024 Change
DJIA	36,338.30	33,147.25	37,689.54	13.70%	42,330.15	12.31%
NASDAQ	15,644.97	10,466.48	15,011.35	43.42%	18,189.17	21.17%
S&P 500	4,766.18	3,839.50	4,769.83	24.23%	5,762.48	20.81%
Prime Rate	3.25%	7.50%	8.50%	13.33%	8.00%	-5.88%
10-year Treasury	1.52%	3.88%	3.88%	0.00%	3.81%	-1.80%

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**TEAM MEMBER SPOTLIGHT**  
**Amy Tucker,**  
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Amy has a passion for helping clients and takes pride in building strong, long-lasting relationships. She has a commitment to deliver thorough and responsive solutions to our valued clients. Her organizational skills and attention to detail enable our financial advisors to focus on each of their client’s needs. With over 30 years in banking and customer service, Amy is a trusted and skilled member of Anchor’s team.



**Food Inflation**

Food inflation has been a hot topic in many households lately. The cost of groceries has risen significantly over the past few years, and as the 2024 election season approaches, grocery inflation has become a central issue. Politicians on both sides are making promises to tackle rising prices—Republicans blame it on the Inflation Reduction Act, while Democrats point to price gouging by retailers. However, neither of these claims holds up. In reality, much of the increase in food costs stems from global supply chain issues, natural disasters, and American eating habits—not government or corporate policies.

**Eggs**

Take eggs, for example. Egg prices have more than doubled since January 2021, rising from \$1.47

to \$3.20 per dozen. But the root cause isn’t government policy—it’s the highly contagious avian influenza (bird flu). Since February 2022, over 100 million poultry birds across 48 states have been lost to this disease, drastically reducing the number of laying hens and, consequently, the supply of eggs. With fewer eggs available, prices have surged, but there’s little that any politician can do about it. The price hikes are the result of a long-lasting outbreak that continues to impact poultry farms across the country.

**Orange Juice**

Orange juice prices have also risen sharply, but this increase is due to a combination of natural factors beyond government control. A bacterial disease known as “citrus greening” has devastated orange crops in Florida and Brazil—the world’s

two largest orange producers—cutting production by 93% in Florida and 40% in Brazil over the past few years. On top of that, extreme weather events like the El Niño effect in Brazil and hurricanes such as Irma and Ian in Florida have further reduced orange harvests. With fewer oranges available, producers have prioritized fresh juice production over frozen juice, leading to higher prices for frozen juice products. As a result, the price of a 12-ounce can of frozen orange juice is now near its all-time high of \$4.27.

### **It's Not Price Gouging by Retailers**

It's also important to understand that grocery retailers and food producers aren't making exorbitant profits from these price increases. Data from the Census Bureau's Annual Retail Trade Survey shows that grocery store margins are actually lower now than they were in the early 2000s. Retailers are dealing with rising costs themselves, and while they do pass some of these increases on to consumers, there's little evidence of price gouging. For instance, warehouse clubs and superstores like Walmart and Target have seen their gross margins shrink since 2020, and grocery store margins are still lower than they were a decade ago.

### **Eating Out and Eating Healthy**

Another factor driving up food costs is that Americans are eating out more than ever before. Today, Americans spend more on dining out than on groceries for eating at home. This cultural shift not only raises food costs in restaurants but also contributes to higher food prices at home. Since 2023, we've seen a decline in the industrial production of food, as restaurants perform many of the preparation tasks that manufacturing plants used to handle with automation (like breading and frying chicken strips). Obviously, this increases the price of a restaurant meal over that of a home cooked meal, but with less demand for processed food production, costs rise across the board, affecting prices for food products both in restaurants and grocery stores.

Thankfully, many Americans are trying to make healthier food choices by eating fresh fruits and vegetables rather than processed food. The downside is that fresh produce is more expensive and has a shorter shelf life than processed foods. That's a decision that is well worth the trade off.

### **Americans Are Spending Less on Food Than Previous Generations**

It's worth noting that we're spending less of our overall income on food today than previous generations did. In 1960, U.S. households spent 17% of their disposable income on food. Today, that figure has dropped to 11.2%. So, while nominal food prices have undoubtedly increased in recent years, we're still devoting a smaller portion of our income to food than Americans did decades ago.

### **Conclusion**

In short, the rising cost of food—while challenging for many consumers—is largely driven by factors beyond the control of politicians or government policies. The key drivers, including avian influenza, citrus greening, severe weather, rising input costs, and shifting consumer habits, cannot easily be addressed by legislation. Understanding these realities can help us make informed decisions to manage rising grocery bills in our own households.



## **Annual Party**

**Tuesday, October 29, 2024**

**Drop-In From 4PM - 7PM**

At Anchor our mission is to keep your best interests in mind as we follow trends and events which can impact the economy and your investments. Declines in the market will occur and often present opportunities to invest in companies while they are "on sale." Long term investment success depends on making a financial plan and acting continuously on that plan. If you have any concerns about the year ahead let's review your goals and make sure that your investments are synchronized with that goal.

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