

How Inflation, COVID, and Food Insecurity Interact

Inflation is a complex set of market factors that results in higher prices. COVID-19 created additional challenges that have exacerbated inflation, with significant consequences for people struggling with food insecurity.

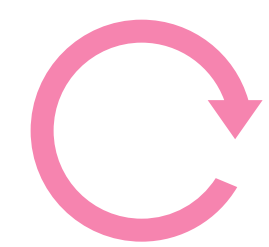
Here's how it works:

INFLATION IS...

a reduction in buyer power. Each dollar is worth less, decreasing the amount of goods a person can purchase with their money.¹

Inflation occurs in one of three ways:

- 1 Cost Push Inflation:** Prices of goods increase in step with increases in raw material and wage costs.
- 2 Demand Pull Inflation:** High consumer demand for products and services drive prices up.
- 3 Built In Inflation:** Consumers begin to anticipate rising costs, and demand higher salaries to keep up. This raises the overall costs for the producer and the product.²



COVID-19 IMPACTED INFLATION BY...



leading to major shifts in spending, starting in March 2020. Stimulus checks, job losses, and moratoriums on student loan payments led to changes in money, savings, and behavior that heralded inflation.³



In the U.S., spending habits significantly transformed during the pandemic. Consumer spending first fell sharply and savings increased,⁴ followed by a period of intense spending on food and health-related items, placing immense strain on our food system.^{5,6}



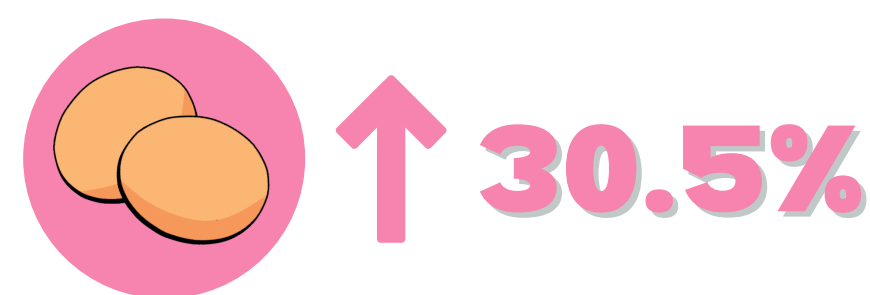
At all levels of the food system, producers, restaurants, farmers, and grocery stores, found themselves struggling to keep up with demand due to supply chain disruptions, increased input costs, and higher wages demanded by workers who found themselves with negotiating power, leading to higher food prices.^{7,8}

THIS AFFECTS FOOD SECURITY BY...

As of September 2022, food prices are 11.2% higher than they were a year ago in September 2021, according to the Consumer Price Index. Staples like eggs, milk, and wheat have especially increased due to the challenges noted above.⁹

These problems grow as farmers and producers continue to struggle to find labor, the costs of materials like fertilizer are impacted by climate change and the conflict in Ukraine, supply chains struggle to recover, and demand for products remain high.¹⁰

Many Americans are concerned their household budget cannot accommodate further price increases. Without a solution, we may see even more Americans struggle to put food on the table.¹¹



The above data is gathered from the Consumer Price Index, and represents the unadjusted percent change from September 2021 to September 2022.⁹

Consumer behavior is changing in response to COVID-19, inflation, and food insecurity, creating tangled challenges that must be addressed if we are to avoid a recession and increased hunger. While much of the responsibility to save costs and support the market is being placed on individuals, we need responsible, bipartisan solutions to address inflation and the food insecurity that comes with it.

SOURCES

1. Federal Reserve website: https://www.federalreserve.gov/faqs/economy_14419.htm. (Accessed October 16, 2022)
2. Reddit Forum "Explain Like I'm Five: What is Inflation and How Does it Occur?" https://www.reddit.com/r/explainlikeimfive/comments/3o4ggq/eli5_what_is_inflation_and_how_does_it_occur/. (Accessed October 15, 2022)
3. Matthews, Dylan. "How I (and US policymakers) got inflation wrong." Vox. Published April 13, 2022. <https://www.vox.com/22996474/inflation-federal-reserve-nairu-ngdp-powell>. (Accessed October 14, 2022)
4. Barua, Akur. "A spring in consumers' steps: Americans prepare to get back to their spending ways". Deloitte Insights. Published June 28, 2021. <https://www2.deloitte.com/us/en/insights/economy/us-consumer-spending-after-covid.html>. (Accessed October 21, 2022)
5. JP Morgan Research. "How COVID-19 has transformed consumer spending habits." Updated November 2020. <https://www.jpmorgan.com/insights/research/covid-spending-habits>. (Accessed October 25, 2022)
6. Cooper, Keith; Kottmeyer, Richard; Desantis, Joe; & Stotzer, Bill. "COVID-19: Impacts on the U.S. Food Industry". FTI Consulting. Published 2020. <https://www.fticonsulting.com/~media/Files/us-files/insights/articles/2020/apr/covid-19-impacts-us-food-industry.pdf>. (Accessed October 23, 2022)
7. Buss, Andrew & Wallner, Wendy. "How Inflation is Changing Consumer Behavior." Ipsos. Published January 18, 2022. <https://www.ipsos.com/en-us/knowledge/consumer-shopper/How-Inflation-is-Changing-Consumer-Behavior>. (Accessed October 24, 2022)
8. Organisation for Economic Co-operation and Development. "Food Supply Chains and COVID-19: Impacts and Policy Lessons". Published June 2, 2020. <https://www.oecd.org/coronavirus/policy-responses/food-supply-chains-and-covid-19-impacts-and-policy-lessons-71b57aea/>. (Accessed October 21, 2022)
9. U.S. Bureau of Labor & Statistics. "Economic News Release: Table 2. Consumer Price Index for All Urban Consumers (CPI-U): U. S. city average, by detailed expenditure category." <https://www.bls.gov/news.release/cpi.t02.htm>. (Accessed October 20, 2022)
10. The World Bank. "Food Security Update" <https://www.worldbank.org/en/topic/agriculture/brief/food-security-update>. Updated October 17, 2022. (Accessed October 26, 2022.)
11. Caldwell, Noah; Venkat, Mia; Yu, Mallory. "Consider This: As Inflation Eases, Food Prices Soar." <https://www.npr.org/2022/08/23/1119107417/as-inflation-eases-food-prices-soar>. Published August 22, 2022. (Accessed October 21, 2022.)