Making Food More Affordable

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Highlight

America enjoys an abundant food supply with options to meet every preference and price point, but the overall trend of rising food prices contributes to America's affordability challenge. Many factors impact food costs, including weather events, regulations, global conflicts, and livestock production cycles. Policymakers can help bring down food prices by addressing underlying factors that make food production and the delivery process needlessly expensive.

Introduction

Food affordability is a top concern for Americans as grocery prices are roughly 27–28 percent higher than in January 2021. This particularly burdens lower-income Americans and seniors on fixed incomes, who spend a disproportionate share of their income on food.

Americans are also increasingly—and understandably—focused on ensuring that they consume the healthiest food possible. People want food grown organically (without pesticides or fertilizer), locally sourced, and available fresh at their local store. They want their food sourced from local farms; they want American workers paid high wages; and they want the animals they consume to have enjoyed a free-range life.

Yet, they want low prices, convenient, ready-to-serve options, and food to stay fresh for days. These are all understandable desires, but they are also often in conflict.

While it's reasonable for policy leaders to support Americans' efforts to choose healthier foods, some of those efforts—for example, mandates for ingredient labeling and packaging, and marketing restrictions—can raise the costs of healthier options.

Everyday Americans must understand the many factors that contribute to what's available and at what cost. Current cost pressures stem from a combination of long-term structural issues—from regulations to labor shortages—and short-term cyclical factors—from geopolitical conflicts that are making fuel temporarily more expensive to hurricanes.

To address food affordability, policymakers must understand the trade-offs that come with different food industry

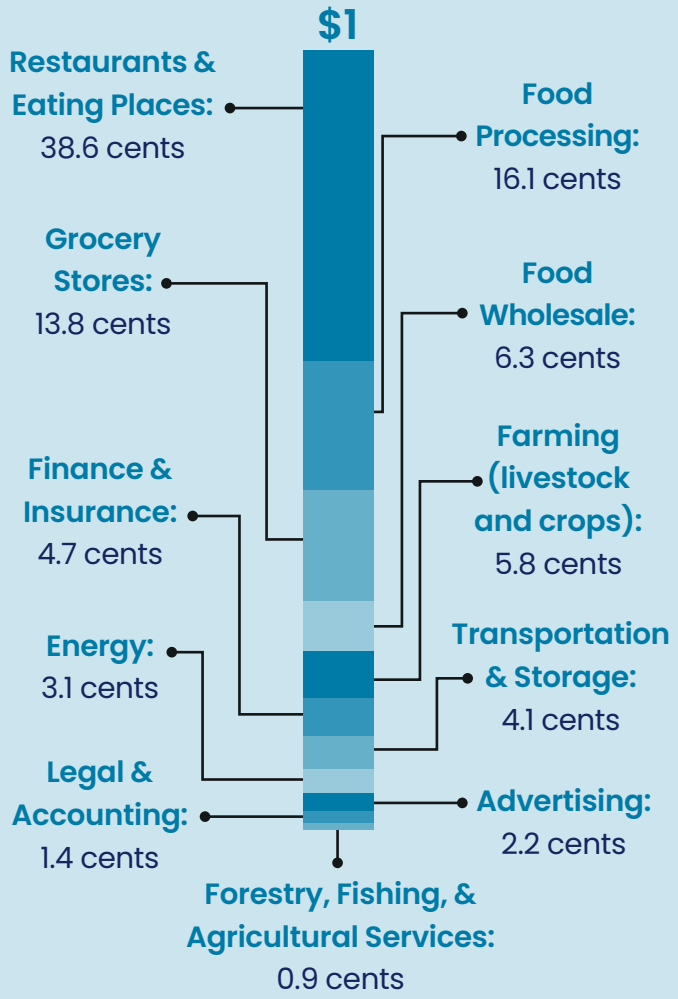
structures and pursuing different economic and health policy goals.

The Sources of Rising Food Prices

Despite rising almost 30 percent since the start of the pandemic, food prices have stabilized, particularly over the past year. Grocery inflation registered 2.5 percent year-over-year in September 2026, well below the overall 3.7 percent inflation rate and within range of the Federal Reserve's 2 percent inflation target. Meanwhile, energy inflation has spiked 20.4 percent since last year.

Food and energy costs are not only major contributors to household spending, but both are linked. Energy costs can increase food prices over time by increasing the costs to farm, process, and ship food, but energy is just one factor behind food prices. This makes the relatively low rate of growth in food prices more encouraging: Absent rising energy costs, grocery prices would have been even lower and may have come down.

How $1 is Consumed Across Food Supply Chain



Source: U.S. Department of Agriculture, 2024

Structural Factors

Structural factors are long-term underlying trends that build over time and change slowly. They set the baseline cost structure for food production:

- **Biological production cycles for livestock and crops** can become constrained due to weather events and high costs. Rebuilding inventories can take substantial time, forcing producers to charge higher prices. For beef, previous droughts and high feed costs have reduced inventories of U.S. cattle herds to a 75-year low. Rebuilding the herds has been slow even as demand for beef has held steady.
- **Weather volatility or patterns of more frequent** and intense events reduce produce yields, leading to price increases over time. The current El Niño, or a warming pattern in the equatorial Pacific Ocean, is predicted to become a "super" El Niño, fueling intense heatwaves, heavy rainfall, severe floods, and prolonged droughts in countries that export exposed products such as coffee, cocoa, sugar, and rice.
- **Labor regulations and changing workforce demographics** are behind

persistently higher wages in food processing, transportation, and restaurants. Our agricultural workforce is also aging rapidly in some regions, with fewer young people entering the industry, contributing to higher labor costs. Fewer young migrants entering the U.S. to work in fields, immigration enforcement, and tightened restrictions on legal immigration all reduce available agricultural workers. Ensuring that all food producers follow all labor laws and workers receive state-level minimum wages also means higher food prices.

- **Farmland lost to commercial, industrial, and residential use** threatens domestic food production. The U.S. has lost 200,000 farms since 2007 and more than 40 million acres of farmland since 2002.
- **Trade policies** that impose tariffs on imported food and inputs raise costs for consumers.
- **Industry regulations embedded in laws, rules, and compliance systems** raise the long-run cost of producing, processing, and distributing food. They do not reverse when other conditions improve.
- **Growing populations with rising incomes and changing consumer tastes** and preferences also drive demand for larger quantities and varieties of foods, whether produced domestically or internationally. When demand for goods rises, prices follow.

Cyclical or Non-Structural Factors

Short-term cyclical factors can drive wild price swings that fade when triggering events end:

- **Global conflict and shipping disruptions.** Global instability or sudden war outbreaks can cause oil and diesel prices to rise rapidly, increasing the cost of moving commodities, fertilizers, and finished goods, which are included in food costs. Currently, the conflict with Iran, which began escalating in late February 2026, has disrupted the transport of oil through the Strait of Hormuz, a critical shipping waterway for oil and fertilizer trade, raising fuel prices sharply and adding war-risk premiums and insurance costs. Diesel hit record levels, above $6/gallon in some reports, and gasoline rose 34 percent from 2025. Also, attacks by non-state actors in the Black Sea on grain infrastructure have slowed wheat shipments, and attacks in the Red Sea have forced longer shipping routes around Africa. Freight rates are roughly 50 percent higher on some key routes (e.g., Black Sea to Southeast Asia).

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- **Elevated diesel and fuel prices** expose domestic agriculture and food systems to price volatility. High energy prices increase U.S. farm operating costs, transportation from farms to processors to stores, and food processing expenses. Fertilizer prices spiked earlier in the conflict and remain elevated, raising agricultural production costs. These costs filter into food prices over time.
- **Extreme weather events** such as one-off hurricanes, droughts, floods, and heat can disrupt supply chains, energy production and transport, and agricultural production.
- **Disease outbreaks cull livestock** and can take months or years to replenish. In

2022, an outbreak of highly pathogenic avian influenza (HPAI) drove egg and poultry prices up 239% from years prior.
- **Supply chain disruptions** from natural or manmade disasters and events make food items harder to come by. Temporary freight surges, contract negotiations in ports and transportation, or localized bottlenecks can all raise prices in the short term.

These factors do not operate discretely; they can occur simultaneously. Short-term shocks can compound over time and build into intractable structural issues. Even when a temporary shock eases, prices often stabilize at a higher level than before.

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Current elevated prices reflect cyclical shocks from Iran-related energy and shipping disruptions, plus El Niño, layered on structural realities from slow cattle-cycle recovery, energy-intensive production, tariffs, and industry workforce reductions. Even if the Iran conflict ends in 2026 and energy prices moderate, structural energy and climate factors may further pass through to food prices into 2027.

Workforce & Immigration

The agricultural and food-processing workforce is a small but meaningful structural factor behind food prices. As workforce challenges mount, growing and processing our food become slightly costlier.

Analysis by a Michigan State economist found that a 10 percent decline in domestic farm employment raises labor-intensive specialty crop prices by roughly 3 percent. According to the same study, more than half of surveyed farmers experienced some sort of labor shortage and, on average, the farmers reported they were unable to hire about 20 percent of the labor they needed for normal operating conditions.

At the same time, agriculture faces an aging workforce. The median farmer age is 58, and roughly one-third of farmers are over age 65, making this the oldest industry. Farm workers tend to be older in age as well, including immigrant workers. Domestic recruitment fails to meet this industry's labor force shortage as fewer young people are taking agricultural jobs.

The U.S. agriculture sector relies heavily on foreign-born workers. Up to 70 percent of sector workers are born outside of the U.S., with the majority either holding visas or being unauthorized. Immigrants comprise about a third of workers in meatpacking.

Immigration enforcement has been a cornerstone of the current administration's policies. By closing the Southern border and enforcing immigration laws, including deportations, the federal government has sought to discourage illegal immigration to the U.S., while maintaining legal immigration. These policy choices create disruptions for industries that depend heavily on a migrant workforce.

The industry has responded to these workforce challenges by investing in machinery or shifting toward the agricultural temporary guest worker visa program (H-2A). The H-2A visa program requires employers to pay predetermined wages and provide housing, travel to and from workers' country of origin, daily transportation to the work site, and other employment benefits. Employers

must first demonstrate unsuccessful attempts to recruit workers already residing in the United States for open positions. The H-2A program is in need of reforms to reduce the red tape that discourages smaller employers from utilizing it.

Policymakers may believe there are good reasons to close the border and limit migrant worker flows even for agricultural work. However, we should be clear-eyed about how this impacts labor costs and ultimately food prices.

Trade Policy

Tariffs, or duties on goods imported into the U.S., can serve economic and strategic ends, including protecting national security and public safety, encouraging domestic production of goods, and correcting unfair trade practices by other countries. Those goals can increase costs for U.S. consumers and producers.

As another structural factor, tariffs lead to price increases directly on final goods imported, and indirectly on imported inputs used for domestic production and through new markups by domestic producers. Currently, the U.S. imports roughly 15 percent of its total food and beverage supply. Food imports are concentrated in produce (fresh fruit, fresh vegetables), seafood, and nuts, where over 50 percent of items are imported. Wine and spirits, coffee, spices, and specialty dairy and meats are also popular imports.

Direct tariffs on these foods can drive prices up sharply and immediately. Tariffs from the start of 2025 through late summer 2026 added 2.9 percentage points to consumer goods prices, according to analysis by the Federal Reserve of New York. Had they not been in effect, prices would have fallen by 1 percent. Instead of importers absorbing the tariff costs, roughly

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Indirectly, tariffs increased costs of inputs such as aluminum and steel. The food industry faced higher costs for packaging and storage of product containers such as metal cans, plastics, and cardboard shipping boxes. U.S. farmers also faced surging prices for capital equipment, from tractors to specialized parts, and fertilizers. Economists also suggested that reduced competition with global food suppliers allowed domestic food brands to increase their own retail prices.

Trade policy alone does not explain all grocery price changes, as ongoing negotiations and trade agreements passed this year have either exempted specific foods and categories or reduced tariff rates for different countries in an ever-evolving process. The economic impact, though, is a trade-off for other outcomes.

Healthy Food and Labeling Mandates

Americans routinely express a desire to eat healthier. Whether to combat chronic disease, improve one's health, or for a better physique, many embrace eating foods that are low in calories, rich in nutrients, and good for digestion. According to 2025 Pew Research, over half of

adults surveyed prioritize the healthiness of the foods they eat, but nearly all believe that healthy food has gotten more expensive in recent years, creating a hurdle to eating healthy.

Healthy food is often more expensive—due to how it must be farmed, transported, and stored. Delicate fresh fruits and vegetables require significantly more manual labor to pick rather than automated processing lines for packaged goods. Fresh fruits, vegetables, and whole foods expire quickly, so retailers and suppliers factor potential waste and loss into higher prices. Additionally, fresh fruits and vegetables require refrigerated storage and fast shipping, which can raise prices by roughly 40 percent.

Americans have access to a wide variety of foods at various price points because of our robust food system. Those who prioritize taste, convenience, and price can access affordable options such as canned, frozen, and packaged foods.

Importantly, consumers can choose the best options for themselves based on the safety and quality information readily available at the point of purchase. Food transparency is a growing interest among consumers. Public support is on the rise for clear, understandable, in-depth information on product ingredients and sourcing, allergy alerts, nutrient content, and health claims.

Packaging and food labels, though valued resources, increase food costs, especially as new state mandates create a patchwork of regulatory burdens. Food labels—namely the Nutrition Facts panel—are required by federal law and governed by agencies including the Food and Drug Administration (FDA) and the U.S. Department of Agriculture (USDA). Grocers, food packaging manufacturers, and wholesale distributors must comply with extensive ingredient transparency requirements that are updated regularly.

Several states have enacted packaging requirements that extend beyond FDA requirements, such as warnings about specific additives or ingredients. Other proposals call for new warning labels about food processing, coloring, sugar content, and more. New labeling mandates significantly raise production costs by creating legal compliance burdens, forcing complex packaging and label redesign, and leading to reduced production. The proposed mandates would generate higher costs, which would be passed on to consumers through a 12 percent increase in grocery prices for the average American household.

Given that so much of the food supply chain crosses state lines, requiring national standards for new transparency demands to remain with the FDA can help reduce costs faced by food producers.

Conclusion

In a land of abundance, rising food prices are a frustrating reality for many households. We are blessed to have access to so many different types of food to meet every taste, diet, and price point. However, for those on limited or fixed budgets, affordability is an inescapable challenge.

Some grocery cost increases due to energy shocks and other cyclical factors will recede. However, until we grapple with the trade-offs of labor and trade policies or address burdensome regulations embedded into the baseline costs of getting food from the farm to store shelves, food affordability will be an issue for years to come.

What You Can Do!

1 Get Informed

Learn more about food prices; visit:

- Economic Research Service | U.S. Department of Agriculture
- Food Industry Facts | The Food Industry Association
- Americans for Ingredient Transparency

2 Talk to Your Friends

Help your friends and family understand these important issues. Tell them about what's going on and encourage them to join you in getting involved.

3 Become a Leader in the Community

Get a group together each month to talk about a political/policy issue (it will be fun!). Write a letter to the editor. Show up at local government meetings and make your opinions known. Go to rallies. Better yet, organize rallies! A few motivated people can change the world.

4 Remain Engaged Politically

Too many good citizens see election time as the only time they need to pay attention to politics. We need everyone to pay attention and hold elected officials accountable. Let your Representatives know your opinions. After all, they are supposed to work for you!

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