### ALASKA FOOD PRICE PATTERNS

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#### Introduction

It is expensive to live in Alaska. Almost everything costs more than in the "Lower 48." Most consumer goods are imported and prices are therefore very high relative to the conterminous 48 states. In 1975, prices of consumer goods increased faster in Alaska than in the remainder of the U.S.

Prices and costs of living in Alaska have been reviewed in earlier works by this author and others (1); until now, however, there has not been detailed analyses of trends in food prices, despite the need for this information. Food comprises a large portion of the consumer budget; this is particularly significant in the lower income brackets. Alaska presently imports the majority of its foodstuffs, making Alaska food prices dependent on many circumstances, some beyond state influence. Concurrently, Alaska's potential for large scale agricultural production is being discussed and recognized (2).

This paper has three primary objectives:

- (1) to discuss the level of retail food prices in Anchorage relative to the U.S.
- (2) to describe trends in retail food prices, both in Anchorage and the U.S.
- (3) to present retail food price comparisons among selected communities within Alaska.

#### Cost of Food in Anchorage and the U.S.

The U.S. Department of Labor, Bureau of Labor Statistics, calculates budgets each year for a hypothetical family of four at three levels of living (3). Selected data, for Anchorage and the U.S. urban average,<sup>1</sup> 1967-1974, are presented in Table 1. Spring 1970, and spring 1971 information is excluded because in those years the Bureau did not separate food consumption costs into the two food items, at home and away from home. There were no budgets published in 1968.<sup>2</sup>

Anchorage is the only Alaska city for which budgets are available. Anchorage is the largest city in the state; in 1974, it contained 43 percent of total state civilian population and generated 47 percent of total state civilian employment (4). It is naive to consider Anchorage as totally representative of all of Alaska; nonetheless, Anchorage prices will be used as substitutes for Alaska prices because the latter are unavailable. (Available Alaska food price data are discussed in section four.)

In all years, at all three budget levels, costs of total consumption, and food at home, were higher in Anchorage than in the U.S. as a whole. Generally, the relative differences were greater for total consumption than for food consumed at home. In all years except 1967, food away from home cost less in Anchorage than in the rest of the U.S.

<sup>&</sup>lt;sup>1</sup>U.S. urban average includes Honolulu, Hawaii, and Anchorage, Alaska.

<sup>&</sup>lt;sup>2</sup>The U.S. Department of Labor, Bureau of Labor Statistics, also publishes yearly a set of three budgets for a hypothetical retired couple. These data, entitled "Three Budgets for a Retired Couple," are available for Anchorage from any BLS Office.

## TABLE 1Average Budget Costs of a Four-Person Family,<br/>Anchorage and U.S. Urban Average,<br/>1967-1974

	Spring 1967	Spring 1969	Autumn 1972	Autumn 1973	Autumn 1974
LOWER BUDGET <sup>1</sup> Anchorage					
Total Consumption <sup>2</sup> Food At Home Food Away From Home		\$ 7,967 2,023 237	\$ 8,831 2,186 262		
U.S. Total Consumption <sup>2</sup> Food at Home Food Away From Home	4,862 1,427 217	$5,270 \\ 1,537 \\ 239$	$6,029 \\ 1,770 \\ 288$	$6,580 \\ 2,118 \\ 322$	7,318 2,403 359
Anchorage/U.S. x 100 Total Consumption <sup>2</sup> Food at Home Food Away From Home	$149 \\ 135 \\ 116$	$151\\132\\99$	$146 \\ 124 \\ 91$	$143\\122\\83$	$143 \\ 127 \\ 88$
INTERMEDIATE BUDGET <sup>1</sup> Anchorage					
Total Consumption <sup>2</sup> Food at Home Food Away From Home	9,867 2,294 351	$10,548 \\ 2,425 \\ 341$	$11,705 \\ 2,640 \\ 376$	$12,562 \\ 3,169 \\ 383$	$14,168 \\ 3,664 \\ 454$
U.S. Total Consumption <sup>2</sup> Food at Home Food Away From Home	7,221 1,779 326	7,811 1,925 360	9,013 2,238 435	$9,761 \\ 2,700 \\ 483$	10,880 3,007 540
Anchorage/U.S. x 100 Total Consumption <sup>2</sup> Food at Home Food Away From Home	$137 \\ 129 \\ 108$	$135 \\ 126 \\ 95$	130 118 86	129 117 79	130 122 84
HIGHER BUDGET <sup>1</sup> Anchorage					
Total Consumption <sup>2</sup> Food at Home Food Away From Home	$12,722 \\ 2,790 \\ 422$	$13,927 \\ 2,942 \\ 468$	$15,452 \\ 3,191 \\ 516$	$16,589 \\ 3,850 \\ 526$	$18,700 \\ 4,413 \\ 624$
U.S. Total Consumption <sup>2</sup> Food at Home Food Away From Home	$9,963 \\ 2,114 \\ 472$	$10,794 \\ 2,297 \\ 582$	$12,462 \\ 2,666 \\ 704$	$13,450 \\ 3,238 \\ 782$	$14,976 \\ 3,578 \\ 874$
Anchorage/U.S. x 100 Total Consumption <sup>2</sup> Food at Home Food Away From Home	128 132 89	$129 \\ 128 \\ 80$	$124 \\ 120 \\ 73$	$\begin{array}{c}123\\119\\67\end{array}$	$125 \\ 123 \\ 71$

<sup>1</sup>The three budgets are for a precisely defined urban family of four. They do not represent how families spend their money, rather how much it would cost to maintain a hypothetical standard of living, based on estimates of expenses for different specified types and amounts of goods and services.

<sup>2</sup>Total consumption includes all components of the family budget except personal income taxes, social security, allowances for gifts and contributions, life insurance and occupational expenses.

Source: U.S. Department of Labor, Bureau of Labor Statistics. "Urban Family Budgets and Comparative Indexes for Selected Urban Areas," selected years.

A narrowing of cost differentials occurred between Anchorage and the total urban U.S. for all selected items, at all budget levels, 1967-1973. The gap increased slightly between 1973 and 1974, a reflection of increased inflation in Anchorage relative to the U.S., stimulated by the beginning of planning and construction of the trans-Alaska oil pipeline. The two food items showed larger relative increases than total consumption, 1973-1974. These trends in price changes will be discussed in the next section.

In all years, lower budget families in Anchorage were affected most by high prices relative to the other two budgets. The Anchorage/U.S. differential was highest for lower budget families with all the selected items. In all years, higher budget families had the lowest differentials for total consumption and food away from home. They had slightly higher differentials for food at home than did the intermediate budget families. Families in the higher income brackets may be willing to purchase certain food items regardless of price, particularly the more "exotic" items for which a premium price is charged in Anchorage.

Food at home costs as a proportion of total costs of consumption varied between Anchorage and the U.S. In 1974, at all budget levels except the highest, the U.S. consumer spent a higher proportion of the total consumption dollar on food at home relative to Anchorage. The proportion was the same at the higher budget level. The proportion of total consumption outlays spent on food at home increased both in the U.S. and Anchorage, at all budget levels, over the 1967-1974 time period. In 1974, the outlays for food at home as a percentage of total consumption costs were as follows:

	Lower Budget	Intermediate Budget	Higher Budget
	%	%	%
Anchorage	29	26	24
U.S.	33	28	24

At all budget levels, over the 1967-1974 time period, food away from home cost proportionally less in Anchorage than in the U.S., relative to total costs of consumption. In all years with all three budgets, Anchorage costs for food away from home comprised 3 percent of Anchorage total consumption costs. U.S. costs for food away from home were almost identical in all years at all budget levels, ranging from 5 percent to 6 percent of total U.S. consumption costs, the latter percent for the highest budget.

It is apparent that while Anchorage residents pay more in total for food, compared to the U.S., their outlays relative to total consumption are considerably less. It is quite probable that a significant portion of total food consumed in Anchorage is derived from sources other than retail channels; these include wholesale outlets, hunting and fishing trips, and home gardens. Availability of alternative food sources enhances competition, and thus may reduce retail food prices somewhat. Additionally, the very high relative costs of some consumer items in Anchorage, particularly housing, would reduce the proportion of total consumption costs allocated to food.

#### Food Price Trends in Anchorage and the U.S.

Data on price changes for all major items in a typical consumer's budget are compiled and published by the U.S. Department of Labor, Bureau of Labor Statistics. The weighted summation of all individual budget items is called the Consumer Price Index (5). The CPI which is presently available monthly in some cities, quarterly in others,<sup>3</sup> does not permit measurement of price levels, only measurement of changes in price levels.

<sup>&</sup>lt;sup>3</sup>The Anchorage Consumer Price Index is now published quarterly for all items except food and its sub-components. The food item is published monthly. All items in the U.S. Consumer Price Index are published monthly.

Presented in Tables 2 and 3 are selected items of the Consumer Price Index for Anchorage and the U.S. city average,<sup>4</sup> selected periods, 1960-1975. The Consumer Price Index for all items, food away from home, and food at home, Anchorage and the U.S., are also shown for 1960-1975 in Figures 1-3. Figure 4 illustrates the 1974-1975 average annual rate of change in selected items of the CPI, Anchorage, and the U.S. city average.

#### TABLE 2

#### Selected Components of the Consumer Price Index, Anchorage and U.S. City Average, Selected Periods 1960-1975 (Anchorage — October 1967 = 100)

(U.S. - 1967 = 100)

	$1960^{1}$	$1963^{1}$	$1966^{2}$	$1969^{3}$	$1972^{3}$	$1973^{3}$	$1974^{3}$	$1975^{3}$
All Items Anchorage U.S.	$91.6 \\ 88.7$	$93.1 \\ 91.7$	$97.9 \\ 97.2$	$105.9 \\ 109.8$	$\begin{array}{c} 115.9 \\ 125.3 \end{array}$	$120.8 \\ 133.1$	$133.9 \\ 147.7$	$152.3 \\ 161.2$
Food at Home	00.1	51.7	31.2	105.8	120.0	100.1	141.1	101.2
Anchorage U.S.	$\begin{array}{c} 98.1 \\ 89.6 \end{array}$	$98.2 \\ 92.2$	$\begin{array}{c} 100.9 \\ 100.3 \end{array}$	$\begin{array}{c} 104.7 \\ 108.2 \end{array}$	$\begin{array}{c} 113.0\\ 121.6\end{array}$	$\begin{array}{c} 127.2 \\ 141.4 \end{array}$	$\begin{array}{c} 152.5\\ 162.4 \end{array}$	$\begin{array}{c} 168.6 \\ 175.8 \end{array}$
Cereals & Bakery Produ	cts							
Anchorage U.S.	$\begin{array}{c} 92.7\\ 87.1 \end{array}$	$\begin{array}{c} 94.1 \\ 92.1 \end{array}$	$97.2 \\ 97.7$	$\begin{array}{c} 98.8 \\ 103.3 \end{array}$	$\begin{array}{c} 101.0\\ 114.7\end{array}$	$\begin{array}{c} 109.0\\ 127.7\end{array}$	$\begin{array}{c} 146.1 \\ 166.1 \end{array}$	$\begin{array}{c} 165.9 \\ 184.8 \end{array}$
Meats, Poultry, Fish Anchorage U.S.	$100.0\\89.1$	$95.5 \\ 90.1$	$\begin{array}{c} 103.0\\ 102.6\end{array}$	$103.7\\110.8$	$\begin{array}{c} 115.0 \\ 128.0 \end{array}$	$\begin{array}{c} 142.5\\ 160.4\end{array}$	$\begin{array}{c} 155.6 \\ 163.9 \end{array}$	$169.6 \\ 178.0$
Dairy Products Anchorage	88.7	93.0	98.9	102.3	107.4	114.9	142.9	161.5
U.S.	88.4	88.9	95.8	106.7	117.1	127.9	151.9	156.6
Fruits & Vegetables Anchorage U.S.	$108.4\\88.3$	$\begin{array}{c} 112.1\\94.5\end{array}$	100.8 100.1	$\begin{array}{c} 113.3\\ 109.3 \end{array}$	$\begin{array}{c} 122.6 \\ 125.0 \end{array}$	$133.7 \\ 142.5$	$\begin{array}{c} 156.0\\ 165.8 \end{array}$	$\begin{array}{c} 165.5 \\ 171.0 \end{array}$
Other Foods at Home <sup>4</sup> Anchorage	96.6	96.2	102.7	103.9	113.4	123.1	157.5	178.4
U.S.	94.9	96.0	102.0	107.9	116.7	130.3	162.8	184.8
Food Away From Home Anchorage U.S.	$\begin{array}{c} 82.2\\ 81.4\end{array}$	86.9 87.3	$95.6 \\ 95.1$	$\begin{array}{c} 104.5\\ 111.6\end{array}$	$\begin{array}{c} 113.4\\ 131.1 \end{array}$	$\begin{array}{c} 115.3 \\ 141.4 \end{array}$	$\begin{array}{c} 128.2 \\ 159.4 \end{array}$	$\begin{array}{c} 166.3 \\ 174.3 \end{array}$

 $^{1}$ Anchorage – May and October averages for 1960, April and October averages for 1963

 $^{2}$ Anchorage — October 1966 only

 $^{3}$ Anchorage - 1969, and 1972-1975 are annual averages based on quarterly observations taken in January, April, July, and October, and January of the following year. A weighting technique is used.

<sup>4</sup>Eggs, fats and oils, sugar and sweets, nonalcoholic beverages, prepared foods

Source: U.S. Department of Labor, Bureau of Labor Statistics. "Consumer Price Index — Pacific Cities and U.S. Average," various issues.

 $^{4}$ U.S. city average includes Honolulu, Hawaii and Anchorage, Alaska.

# TABLE 3Selected Components of The ConsumerPrice Index, Anchorage and U.S. City Average, Selected Periods1960-1975Average Annual Rates of Change

	Average Annual Rate of Change 1960-1975 %	Average Annual Rate of Change 1966-1975 %	Average Annual Rate of Change 1972-1975 %	Average Annual Rate of Change 1973-1974 %	Average Annual Rate of Change <b>1974-1975</b> %
All Items					
Anchorage	3.4	5.0	9.5	10.8	13.7
U.S.	4.1	5.8	8.8	11.0	9.1
Food at Home					
Anchorage	3.7	5.9	14.3	19.9	10.6
U.S.	4.6	6.4	13.1	14.9	8.3
Cereals & Bakery Products					
Anchorage	4.0	6.1	18.0	34.0	13.6
U.S.	5.1	7.3	17.2	30.1	11.3
Meats, Poultry, Fish					
Anchorage	3.6	5.7	13.8	9.2	9.0
U.S.	4.7	6.3	11.6	2.2	8.6
Dairy Products					
Anchorage	4.1	5.6	14.6	24.4	13.0
U.S.	3.9	5.6	10.2	18.8	3.1
Fruits & Vegetables					
Anchorage	2.9	5.7	10.5	16.7	6.1
U.S.	4.5	6.1	11.0	16.4	3.1
Other Foods at Home <sup>1</sup>					
Anchorage	4.2	6.3	16.3	27.9	13.3
U.S.	4.5	6.8	16.6	24.9	13.5
Foods Away From Home					
Anchorage	4.8	6.3	13.6	11.2	29.7
U.S.	5.2	7.0	9.9	12.7	9.3

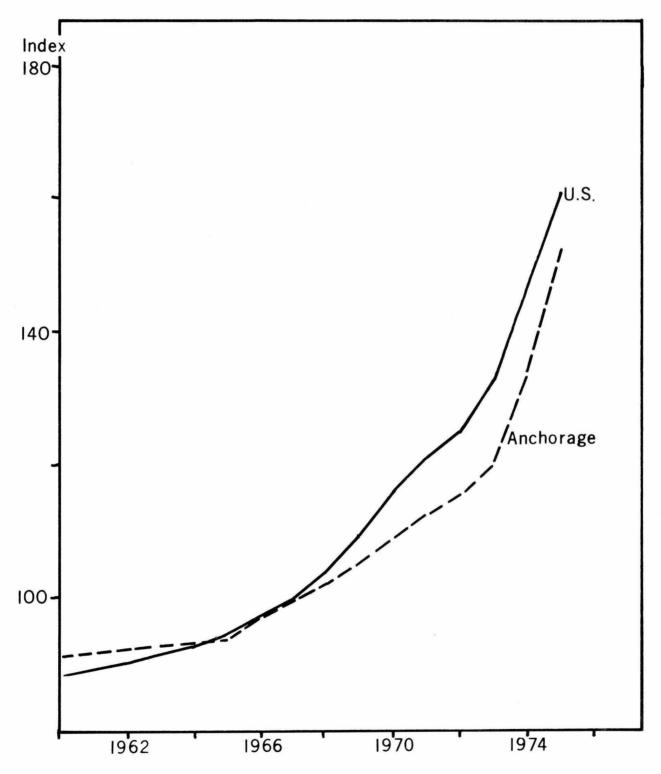
<sup>1</sup>Eggs, fats, and oils, sugar and sweets, nonalcoholic beverages, prepared foods

Source: U.S. Department of Labor, Bureau of Labor Statistics. "Consumer Price Index — Pacific Cities and U.S. Average," various issues.

The Consumer Price Index for all items consistently increased faster in the U.S. than in Anchorage until 1975, when the opposite occurred. In 1975, the Anchorage CPI rose 13.7 percent; the U.S. CPI rose 9.1 percent. In 1974, the rate of increase was almost the same both in Anchorage and the U.S.

Prices of food at home increased more rapidly in the U.S. than in Anchorage until 1974. Prices rose relatively faster in Anchorage in 1974 and 1975. The highest rate of increase was in 1974 both in Anchorage and the U.S.; Anchorage food at home prices rose 19.9 percent while U.S. prices rose 14.9 percent.

FIGURE 1 Consumer Price Index - All Items Anchorage and U.S. City Average, 1960 - 1975



#### FIGURE 2 Consumer Price Index - Food At Home Anchorage and U.S. City Average, 1960 - 1975

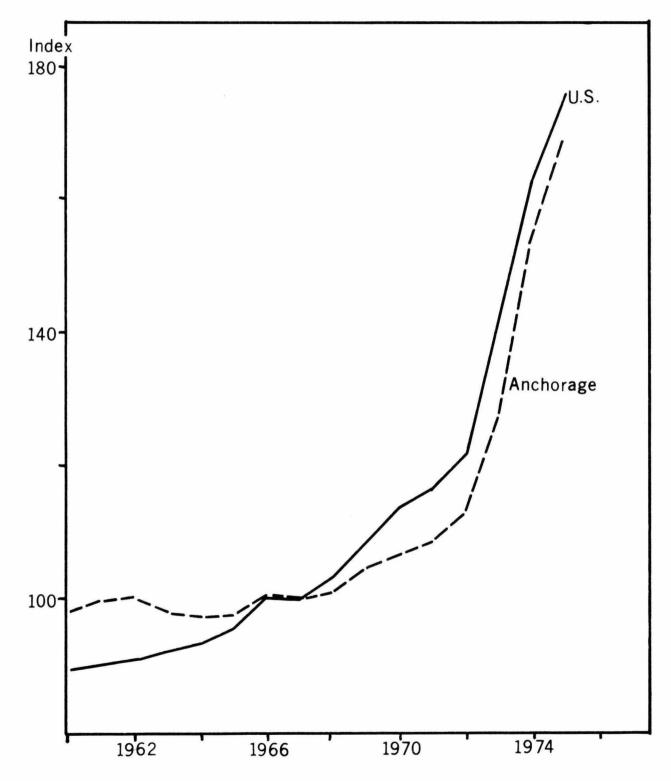
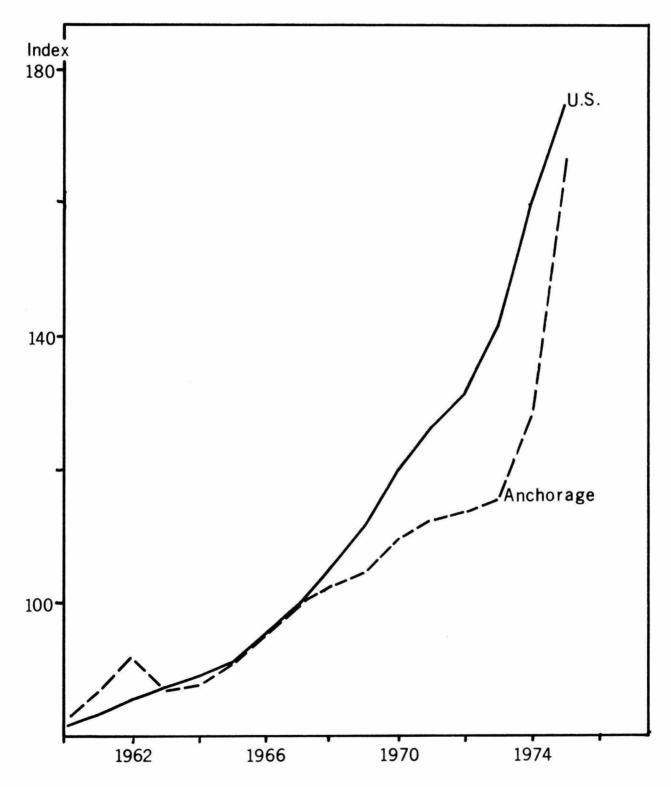


FIGURE 3 Consumer Price Index - Food Away From Home Anchorage and U.S. City Average, 1960 - 1975



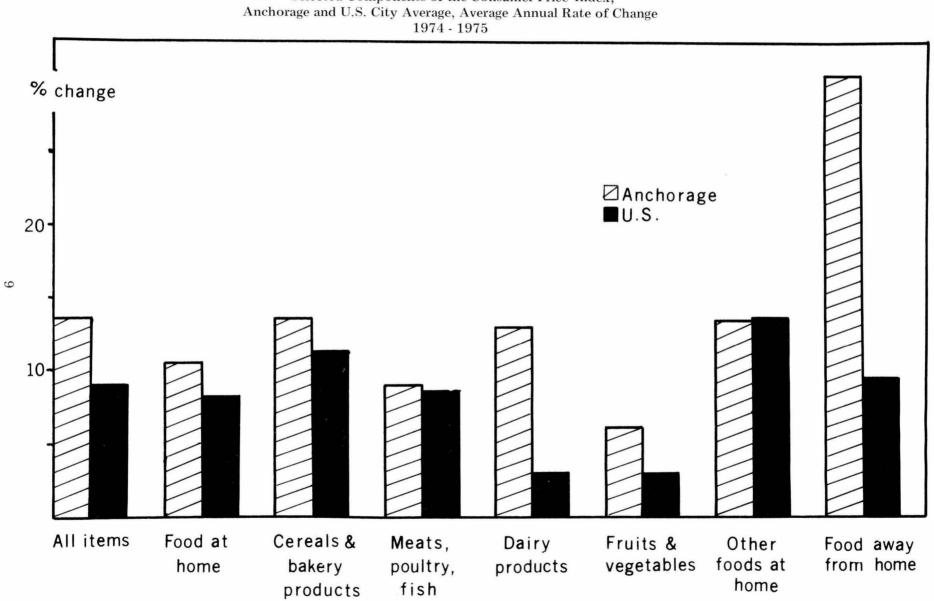


FIGURE 4 Selected Components of the Consumer Price Index,

As presented in Tables 2 and 3, the subcomponents of food at home experienced varying rates of price change. Prices of all Anchorage food items, however, rose relatively less than in the U.S. until 1974. In 1974 and 1975, the reverse occurred, except for the other foods at home category in 1975. Prices for all Anchorage food items increased proportionally more in 1974 than in 1975. In the U.S., the same trend was apparent for all food items except meat, poultry, and fish, which had a higher rate of price increase in 1975. In both Anchorage and the U.S., meat, poultry, and fish prices increased most rapidly in 1973 due to the Russian wheat sale and world grain supply problems.

Costs of food away from home rose relatively less in Anchorage than in the U.S. through 1974. In 1975, prices of food away from home increased 29.7 percent in Anchorage, 9.3 percent in the U.S., a dramatic reversal of previous patterns.

In recent years, particularly 1974 and 1975, Anchorage has experienced higher rates of inflation relative to the U.S. city average. The largest percentage increases occurred for cereals and bakery products, and food away from home, but prices of all items in the consumer budget increased. Economic activity associated with planning and construction of the trans-Alaska oil pipeline beginning in 1974 has been the major factor contributing to the currently higher Anchorage inflation rate, since the recent trend is a complete reversal of previous long-term patterns beginning in 1960. Shipments of oil-related goods into Alaska have delayed arrivals of food products and/or caused diversion into higher cost transportation modes; this was particularly apparent during the spring and summer of 1974 and 1975. High population in-migration has dramatically increased total food consumption both in the home and away from home, placing upward pressure on food prices, given the current marketing infrastructure.

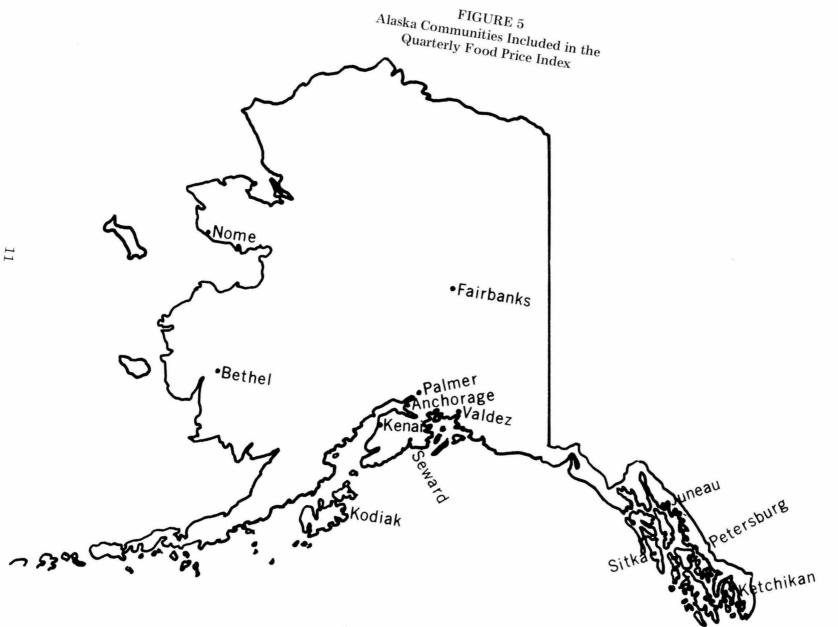
#### Food Price Comparisons Among Selected Alaska Communities

The Agricultural Research Service, U.S. Department of Agriculture, in cooperation with the Agricultural Experiment Station and Cooperative Extension Service, University of Alaska, publishes a list of quarterly food prices in 13 selected Alaska communities (6). This list has been maintained since 1951 in some communities, but a significant change in a number of food items and package sizes in 1965 makes comparison with earlier years difficult.<sup>5</sup> It is for this reason that 1966 was chosen as the first year for food price comparison. Figure 5 shows the locations of the selected Alaska communities.

The quarterly food price index is the only measure of consumer costs available for Alaska communities, excluding Anchorage. It is used, therefore, not only as an indicator of relative food costs among various areas of Alaska, but also as an indicator of relative living costs. The state of Alaska uses the index as an aid in determining state employee salary differentials throughout the state.

Food costs in 13 Alaska communities, 1966-1975 are shown in Tables 4 and 5. During the 1966-1975 time period, the average annual rates of price increase were quite similar in all communities. The highest rate was in Nome, 7.8 percent per year; the lowest rate was in Sitka, 5.5 percent per year. The average annual rate of price change was higher during the 1970-1975 period in all communities. The highest rate was in Nome, 11.3 percent per year; the lowest rate was in Sitka, 8.1 percent per year.

<sup>&</sup>lt;sup>5</sup>Another change, from an "old" food list to a "new" food list, occurred in March, 1972. The number of total food items was expanded from 40 to 45, and the package sizes and kinds of food items priced were modified. Data on the "old" list were maintained, however, and are used here to permit comparison back to 1966. Most observers currently believe that the "old" list is probably as valid as the "new" list.



13 Alaska Communities 1966-1975										
	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975
Anchorage	\$22.26	\$22.03	\$22.00	\$23.05	\$22.97	\$24.32	\$25.03	\$28.43	\$35.57	\$36.68
Bethel	N/A	N/A	32.19	33.79	35.69	37.24	38.40	41.19	47.77	55.16
Fairbanks	24.45	23.99	24.44	25.82	26.35	26.71	27.01	30.83	36.62	39.84
Juneau	21.40	21.19	21.90	22.76	22.63	23.78	24.99	29.01	34.44	35.98
Kenai	N/A	N/A	23.42	24.36	24.32	25.01	26.47	30.53	38.61	41.17
Ketchikan	20.75	20.85	21.62	22.73	23.24	23.54	24.62	27.92	33.22	35.36
Kodiak	22.33	22.38	23.25	24.47	25.96	26.79	27.96	31.67	37.30	41.05
Nome	28.96	29.45	30.28	31.66	33.20	35.03	36.59	39.97	49.75	56.73
Palmer	21.91	21.23	21.65	23.13	23.65	24.21	24.89	28.60	35.09	37.99
Petersburg	22.02	22.17	23.01	24.03	24.29	25.43	27.11	30.92	36.48	36.48
Seward	22.36	21.94	23.05	24.08	24.73	25.44	26.80	31.57	38.54	41.90
Sitka	22.70	22.44	23.23	24.02	24.90	25.42	26.32	29.62	34.32	36.77
Valdez	24.60	24.50	25.31	26.67	28.42	28.52	29.03	34.02	40.48	42.63

Source: Agricultural Research Service, U.S. Department of Agriculture, and Agricultural Experiment Station and Cooperative Extension Service, University of Alaska, cooperating. "Quarterly Report of Alaska's Food Prices," various issues.

#### TABLE 4 "Old" List Food Costs 13 Alaska Communities 1966-1973

#### TABLE 5 "Old" List Food Costs, 13 Alaska Communities Selected Periods 1966-1975 Average Annual Rates of Change

	Average Annual Rate of Change 1966-1975 %	Average Annual Rate of Change 1970-1975 %	Average Annual Rate of Change 1973-1974 %	Average Annual Rate of Change 1974-1975 %
Anchorage	5.7	9.8	25.1	3.1
Bethel	N/A	9.1	16.0	15.5
Fairbanks	5.6	8.6	18.8	8.8
Juneau	5.9	9.7	18.7	4.5
Kenai	N/A	11.1	26.5	6.6
Ketchikan	6.1	8.8	19.0	6.4
Kodiak	7.0	9.6	17.8	10.1
Nome	7.8	11.3	24.5	14.0
Palmer	6.3	9.9	22.7	8.3
Petersburg	5.8	8.5	18.0	0
Seward	7.2	11.1	22.1	8.7
Sitka	5.5	8.1	15.9	7.1
Valdez	6.3	8.4	19.0	5.3

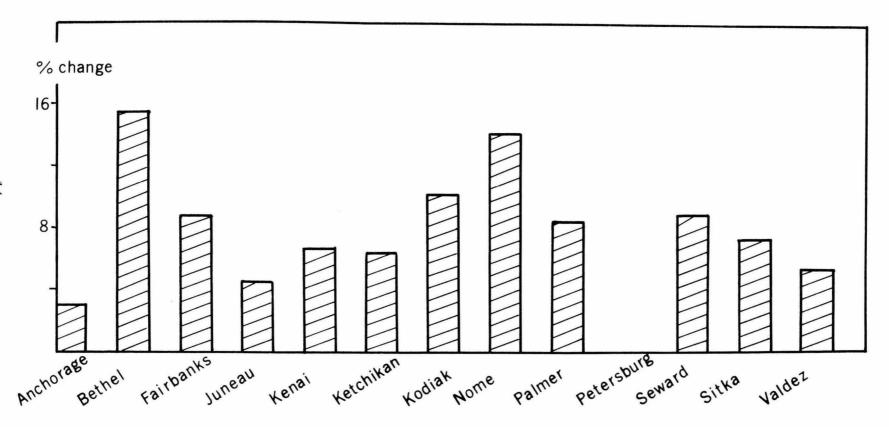
Source: Agricultural Research Service, U.S. Department of Agriculture, and Agricultural Experiment Station and Cooperative Extension Service, University of Alaska, cooperating. "Quarterly Report of Alaska's Food Prices," various issues.

Prices rose appreciably in all communities between 1973 and 1974 but differences were quite pronounced. Kenai had the largest price increase, 26.5 percent; Sitka had the smallest price increase, 15.9 percent. Prices continued to rise between 1974 and 1975 in all communities except Petersburg, but the rate of increase was greatly reduced. The "bush" communities of Bethel and Nome had the highest increase, 15.5 percent and 14.0 percent, respectively. Anchorage had the smallest increase, 3.1 percent (see Figure 6).

Shipping difficulties to Bethel and Nome in 1975, and to many other remote parts of Alaska, were probably responsible for the large price increases in that year. Despite the impact of pipeline construction, Fairbanks and Valdez food price increases were not dissimilar to price increases in other parts of the state, both in the 1973-1974 and 1974-1975 time periods.

It is obvious that some Anchorage data in Table 2 and Table 4 appear to conflict. The Consumer Price Index component for food at home increased 10.6 percent in Anchorage during 1975. The Quarterly Food Price Index recorded a 3.1 percent increase over the identical time period. The quantitative difference occurred because the BLS uses food price data weighted by consumption coefficients while the Food Price Index uses raw price data. The two pieces of data are, therefore, not directly comparable.

FIGURE 6 "Old" List Food Costs, 13 Alaska Communities Average Annual Rate of Change 1974 - 1975



Presented in Table 6 are food prices in 12 Alaska communities as percentages of Anchorage food prices, 1966-1975. In all years, food prices in Bethel and Nome were the highest among communities surveyed. Juneau and Ketchikan had the lowest relative food prices. Food prices in Kenai and Nome generally increased over the 1966-1975 time period relative to Anchorage; in most years this also occurred in Kodiak. Fairbanks and Petersburg were the only Alaska communities showing food price decreases relative to Anchorage over the 1966-1975 time period. In 1975, with the exception of Petersburg, all selected Alaska communities experienced increased food prices relative to Anchorage. Nome had the highest differential in 1975, 155 percent of Anchorage; Ketchikan had the lowest differential, 96 percent of Anchorage (see Figure 7).

It is important to note that while pipeline-impacted Valdez experienced relatively high food prices in 1975, 116 percent of Anchorage, food prices in Fairbanks were only 109 percent of Anchorage. Anchorage may well be experiencing pipeline construction effects of almost the magnitude of Fairbanks. Both surveyed communities on the Kenai Peninsula had higher relative food prices than Fairbanks in 1975, Kenai at 112 percent and Seward at 114 percent.

Several implications emerge from this analysis:

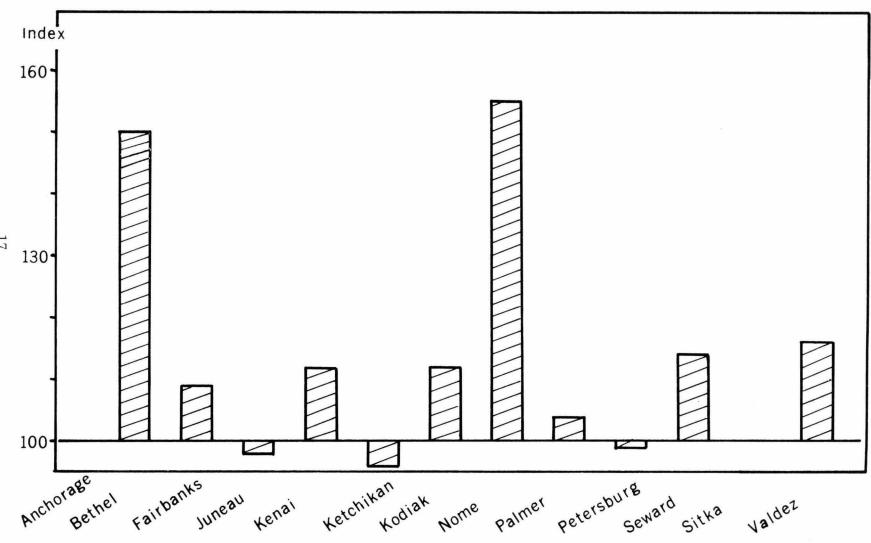
- 1. Southeast Alaska has a different economic structure from the rest of the state because of alternative modes of transport and proximity to Seattle. This geographical setting leads to lower food prices relative to the rest of Alaska and allows more independence in choosing a food distribution system.
- 2. Those Alaska communities with limited transportation alternatives suffer most from high food prices.
- 3. Smaller Alaska communities have higher food prices regardless of regional location. Lack of economies of scale, and minimal wholesale-retail competition are in part responsible.
- 4. The construction of the trans-Alaska oil pipeline apparently has not disproportionately affected food prices in Anchorage, Fairbanks, and Valdez. Other less affected communities have shown food price patterns similar to the "impacted" cities. This suggests that food prices in Alaska are determined in part by factors broader than local market conditions.
- 5. Agricultural development in the interior valleys of Alaska might prove especially beneficial to residents in those regions. At minimum, it would enhance creation of transportation alternatives, including backhaul opportunities, stimulate the development of a local food-base, and provide greater employment stability. Hopefully, it would also result in lower food prices.

				X	0	/				
	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975
Anchorage	100	100	100	100	100	100	100	100	100	100
Bethel	N/A	N/A	146	147	155	153	153	145	134	150
Fairbanks	110	109	111	112	115	110	108	108	103	109
Juneau	96	96	100	99	99	98	100	102	97	98
Kenai	N/A	N/A	106	106	106	103	106	107	109	112
Ketchikan	93	95	98	99	101	97	98	98	93	96
Kodiak	100	102	106	106	113	110	112	111	105	112
Nome	130	134	138	137	145	144	146	141	140	155
Palmer	98	96	98	100	103	100	99	101	99	104
Petersburg	99	101	105	104	106	105	108	109	103	99
Seward	100	100	105	104	108	105	107	111	108	114
Sitka	102	102	106	104	108	105	105	104	96	100
Valdez	111	111	115	116	124	117	116	120	114	116

#### TABLE 6 "Old" List Food Costs 12 Alaska Communities Compared to Anchorage, 1966-1975 (Anchorage = 100)

Source: Table 4

FIGURE 7 "Old" List Food Costs, 12 Alaska Communities Compared to Anchorage, 1975



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