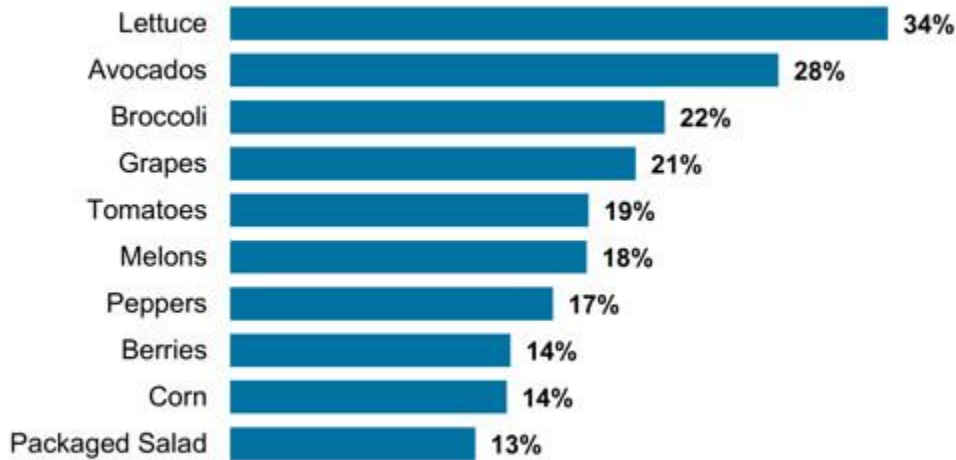


# Attention Shoppers: Fruit and Vegetable Prices Are Rising

## Produce Prices Pop

Projected maximum price increases for fresh fruits and vegetables most affected by the California drought



Source: Arizona State University/Nielsen Perishables Group | WSJ.com

Grocery shoppers may soon need more green in their wallets to afford their next salad.

The cost of fresh produce is poised to jump in the coming months [as a three-year drought in California](#) shows few signs of abating, according to an Arizona State University study set to be released Wednesday.

The study found a head of lettuce could increase in price as much as 62 cents to \$2.44; avocado prices could rise 35 cents to \$1.60 each; and tomatoes could cost 45 cents more at \$2.84 per pound. (The run-up in produce prices is in line with other projections showing that overall food cost gains [are expected to accelerate](#) this year.)

The latest projections were compiled by Timothy Richards, an agribusiness professor at ASU's W.P. Carey School of Business. He studied the drought's effect on farmland and consumer purchasing trends to determine the eight fresh fruits and vegetables likely to see the largest price increases this spring and summer.

And the price increases may already be happening. Grocery prices rose by 0.5% for the second-straight month in March, according to the Labor Department's consumer-price index, released Tuesday. It was the largest two-month gain in the food-at-home category since 2011. Fruit and vegetable prices rose 0.9% last month, after a 1.1% gain in February. Meat and dairy prices are also increasing. Meanwhile, overall consumer prices rose just 0.2% last month, as broader inflation in the economy remains tepid.

California is the largest domestic producer of each of the products Mr. Richards identified, ranging from grapes to peppers. And in the case of avocados, it's the only state with a significant crop.

The drought has wiped out between 10% and 20% of California crops for the eight items, but the size of the expected price increases varies widely. Lettuce prices could jump as much as 34% and avocado prices could rise 28%, the largest projected increases.

“People are the least price-sensitive when it comes to those items, and they’re willing to pay what it takes to get them,” Mr. Richards said. “It’s hard to make a salad without lettuce.”

In basic economic terms, the drought reduces supply, which puts upward pressure on prices. But how high the price can rise is determined by consumers’ willingness to pay more against their ability to find a substitute.

Packaged salads, for example, would increase in price by only 13%, even though many of the ingredients in them are projected to increase in cost by a greater percentage. That’s because consumers view premade salads as a “luxury” good and would readily switch to lower-cost alternative if the price gets too high, Mr. Richards said. They could chop the lettuce themselves or buy frozen vegetables.



The impact could spread beyond the produce aisle. Items such as lettuce, tomatoes and peppers are commonly used in deli sandwiches and salsas. The drought could also cause those items to cost more.

Still, the run-up in prices is likely to be somewhat temporary, Mr. Richards said. When prices increase, farmers outside of California, including foreign suppliers, will be incentivized to ship more crops to the U.S. That will in turn put downward pressure on costs.

But with water-supply problems expected to persist for years, California farmers will have some difficult choices to make, he said. They’ll need to determine which crops should receive the limited amount of available water, and which should be allowed to fall away.

“We could be looking at future,” he said, “where California is no longer bread basket for the country.”