



THE CATO INSTITUTE

HANDBOOK ON AFFORDABILITY

8. Food

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Few prices hit closer to home than groceries. Food is one of the most visible indicators of rising living costs, and grocery store receipts have become a symbol of the broader affordability squeeze. Since January 2020, “food at home” prices have climbed by over 30 percent, far more than double the increase seen over the entire previous decade.

Much of this reflects general inflation. But food prices have also been pushed up at times by specific shocks—COVID-era demand shifts to eating food at home, supply disruptions for produce, and the war in Ukraine driving up commodity prices. As a result, food prices have risen even faster than overall inflation since 2020.

Voters have noticed. In a December 2025 Echelon Insights survey, 83 percent of Americans surveyed said groceries were either “very expensive” or “somewhat expensive”—the highest response for any core expense. This sticker shock has made the food system a political target, via misguided policy proposals such as price controls on staples, anti-price gouging laws, antitrust investigations, and even government-run grocery stores.

This is dangerous territory. The retail grocery industry in the US is highly competitive, with thin profit margins, complex international supply chains and logistics, and enormous consumer choice at various price points. Political interference—especially price-fixing—risks serious disruptions. It’s especially galling to see these interventionist proposals given that food prices are elevated not just by global markets and inflation but also a dense web of existing public policies that restrict supply, limit competition, and raise costs throughout the food system.

From the farm gate to the grocery aisle, government interventions already reduce labor availability, constrain production decisions, and block lower-cost imports, thereby imposing costs ultimately borne by consumers.

Rather than reaching for damaging price controls or socializing grocery stores, policymakers could bolster food affordability by removing measures that prevent markets from functioning most efficiently, such as trade restrictions and exclusionary zoning rules. Reforms that expand competition, improve labor availability, and allow prices to accurately reflect supply and demand can lower grocery bills while strengthening the resilience and efficiency of the food system.

Other sections of this handbook present policies that would reduce food costs indirectly, such as repealing the Jones Act to lower food transportation expenses, improving port efficiency to reduce logistics bottlenecks, and eliminating tariffs on materials for agricultural tools and machinery. But the food-specific reforms here enhance the message: If politicians want lower grocery bills, they should stop driving up the cost of producing and selling food.

FEDERAL POLICIES TO IMPROVE FOOD AFFORDABILITY

- **Repeal the US sugar program.** The US sugar program relies on domestic marketing allotments, tariff-rate quotas (TRQs), and prohibitively high out-of-quota tariffs to restrict sugar supply while supporting domestic prices well above world-market levels. These policies raise costs for food manufacturers and consumers alike, particularly for products that use sugar as a key ingredient. For a sense of scale, the US price of raw sugar in January 2026 was approximately 125 percent higher than the world price (33.4 cents per pound versus 14.8 cents). Repealing the sugar program and allowing sugar to be imported at world prices would immediately lower input costs

across a wide range of foods. Various studies estimate that the program costs US consumers between \$2.5 billion and \$3.5 billion annually, making it one of the most regressive and costly agricultural protections still in place.

- **Repeal all tariffs and trade barriers on food products.** Beyond sugar, many food products sold in the US are subject to tariffs, TRQs, and other trade barriers that restrict supply and raise prices. These protections apply to products ranging from beef and dairy to peanuts and infant formula. With Americans importing more than \$194 billion in food products in 2024, even modest tariffs translate into billions of dollars in higher consumer costs. Scrapping these outdated protections would open supply, force domestic producers to compete more efficiently, and bring down grocery bills.
- **Remove tariffs on farm equipment, fertilizer, and other key agricultural inputs.** Tariffs on farming inputs such as equipment, fertilizer, steel, and other critical agricultural inputs raise production costs for farmers and are ultimately passed on to consumers as higher food prices. These higher input costs ripple throughout the food system. When farmers, who imported \$12.7 billion in farm and gardening machinery in 2021 alone, pay more for machinery, repairs, fencing, storage, and fertilizer, they either scale back production or charge higher prices to remain viable. Eliminating tariffs on agricultural inputs would immediately reduce production costs, improve farm productivity, and ease upward pressure on food prices.
- **Reform the H-2A agricultural guest-worker program.** Labor accounts for roughly 13 percent of total farm expenses, but in labor-intensive specialty crops it can exceed one-third of total costs. Inflexible visa rules and the reluctance of potential domestic workers limit production levels, placing upward pressure on food prices. The H-2A visa program, which allows foreign workers to temporarily work for US farmers, helps address these pressures. However, it is hampered by more than

200 complex and often duplicative rules that deter participation. By streamlining requirements, reducing regulatory complexity, and allowing year-round access to H-2A visas, Congress could expand the legal farm workforce, improve labor stability, and reduce a significant cost of food production.

- **Repeal the Renewable Fuel Standard (RFS).** The RFS mandates the use of biofuels in transportation fuel, increasing demand for corn-based ethanol. This policy raises the price of corn and everything that depends on it, such as animal feed, meat, and dairy. It also pushes up prices for other crops as farmers shift production to meet ethanol demand. A 2009 Congressional Budget Office report estimated that these effects increase food expenditures by 0.5–0.8 percent. Repealing the RFS would reduce artificial demand for corn, ease pressure on agricultural markets, and help lower food prices across the economy.
- **Abolish federal milk marketing orders.** Federal milk marketing orders are a New Deal–era system that sets minimum prices for milk and other dairy products across different regions of the country. While intended to stabilize farm incomes, these price controls function as a hidden tax on consumers by inflating retail milk prices and distorting production decisions. A 2005 report from the Organisation for Economic Co-operation and Development estimated that US dairy policies impose an implicit tax of roughly 26 percent on milk consumers. Milk marketing orders also complicate interstate commerce and discourage efficiency by relying on rigid pricing formulas disconnected from market demand. Abolishing them would allow milk prices to reflect true supply and demand, resulting in lower consumer costs and encouraging a more competitive, efficient dairy sector.
- **Abolish crop commodity programs.** The federal government operates several crop commodity programs that provide payments to producers when prices or revenues for certain crops fall below government-set benchmarks. Although these programs are often justified as stabilizing farm income

or reducing market volatility, they weaken market signals by insulating producers from risk and price fluctuations. This encourages an inefficient allocation of land and capital, disconnects crop choices from consumer demand, and drives up farmland values and rents. Over time, these distortions raise production costs and reduce competition, effects that ultimately ripple through the food system and contribute to higher prices for consumers.

- **Eliminate fruits, vegetables, and specialty-crop marketing orders.** Federal and state marketing orders for fruits, vegetables, and specialty crops empower producer groups to mandate minimum prices, restrict output, impose product standards, and require industry-funded promotion. These rules raise consumer prices by limiting competition and preventing producers from responding flexibly to market demand. Supply controls—such as volume restrictions, size requirements, and limits on grades or varieties—can force edible food out of the market, increasing costs while generating food waste. Marketing orders also tend to favor large, established producers at the expense of smaller farms, new entrants, and consumers. Eliminating these programs would lower prices and allow consumer preferences rather than regulatory mandates to guide production.

STATE AND LOCAL POLICIES TO IMPROVE FOOD AFFORDABILITY

- **Reform or repeal state alcohol distribution laws.** Many states require alcohol to be sold through a mandatory “three-tier” distribution system that separates producers, wholesalers, and retailers, often prohibiting direct sales across tiers. Introduced in the aftermath of Prohibition, these rules now function primarily as protectionist barriers that raise prices and limit consumer choice.

Mandatory middlemen add markups at each stage of distribution while preventing small producers from reaching consumers efficiently. States that permit direct-to-consumer shipping of wine, beer, or spirits show that competition can coexist with public safety. Reforming or repealing these restrictive distribution mandates would reduce costs for households and restaurants while expanding choice and competition.

- **Abolish government-operated liquor stores.** Thirteen states operate government-run retail liquor stores. As monopolists and government enterprises, these stores face reduced incentives to offer low prices, innovate, or operate at maximum efficiency. Indeed, a 2013 study found that liquor prices were 6.9 percent lower in states with licensed, privately run liquor stores than in those with government-operated retailers. Transitioning to a competitive, privately operated retail system would increase competition, improve efficiency, and lower consumer costs.
- **Relax or abolish exclusionary zoning that restricts food retail and distribution.** Local zoning and land-use rules frequently block or delay new grocery stores, warehouses, and distribution centers through restrictive land-use laws, including zoning, minimum parking requirements, density caps, and lengthy approval processes. These barriers limit competition and raise food prices by preventing retailers and logistics providers from entering high-demand areas, especially in growing suburbs and urban neighborhoods. In some cities, zoning rules effectively cap grocery store sizes, ban “big-box” food retailers, or prohibit warehouse facilities, forcing food to be transported from distant locations at higher cost and preventing many outlets from operating at their most efficient scale. State and local governments should relax or abolish these restrictions, thereby allowing market forces to better serve consumers, improve logistics, and reduce grocery costs.