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Federal Reserve Bank of Chicago - -

December 12, 1969

Agricultural Letter

Number 1043

FOOD EXPENDITURES IN 1969 are expected to be around \$104 billion—up nearly 5 percent from last year. This is about \$512 per person—requiring about one-sixth of consumers' after-tax income this year. The 1969 increase is almost entirely a result of rising prices, especially meat and poultry prices. Prices of meat and poultry were around 9 percent higher, compared with a 5 percent advance for all food products. Meat and poultry expenditures account for around a third of the typical family food budget.

Per capita consumption of meat and poultry is edging upward in 1969 for the fifth consecutive year, even in the face of higher prices. But, the gain of less than a half a pound is considerably less than in other recent years—the average annual gain was about 3.5 pounds over the past decade. All of this year's increase is from larger turkey and chicken consumption. Beef consumption per person is expected to about equal last year's level and pork consumption is down slightly.

Consumption of these products in any fairly short period, of course, is determined largely by the production—the available supply. Because meat is perishable and storage stocks normally are small, consumption must roughly equal production. Over a longer period of time, however, production is determined by demand.

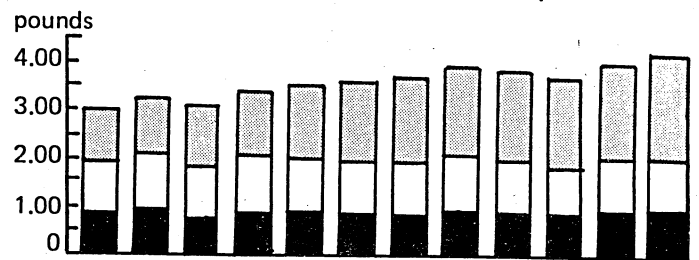
Over the past several years, both trends in production of livestock products and the resulting consumption have changed considerably, reflecting shifts in people's needs and desires and in their ability to fulfill them. Generally, the upward trend in beef consumption and the rather stable level of pork consumption reflect changes in consumer preferences rather than relative price changes. Per capita consumption of beef has trended generally upward at a rate of about 3 percent a year since 1960, even though the retail price of beef has increased nearly a fourth over the same period. Consumption of pork per person, on the other hand, has shown little change while price increases have roughly equaled those of beef.

Several factors have been suggested as explanations for these diverse trends—the gains in personal incomes, relative prices of meats, farm to urban migration, development of home freezers, diet considerations, and supermarket merchandising, to mention a few. All have an impact on consumption, although some have more influence than others. Perhaps one of the more important factors in the stability of pork consumption—a declining relative position in total meat consumption—was the gain in poultry consumption. Per capita poultry consumption increased from 34 pounds in 1960 to about 47 pounds at present. This growth in volume was accompanied by fairly stable poultry prices.

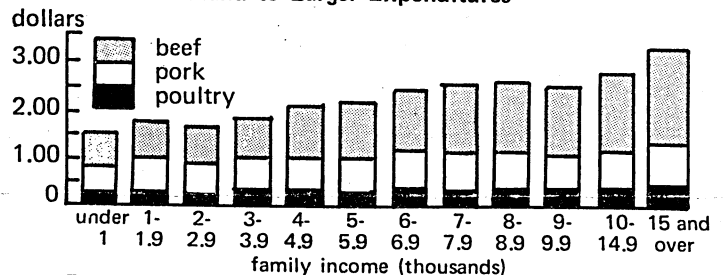
Levels of income apparently exert a substantial impact on at least some types of meat consumption. Numerous studies, by the Department of Agriculture and others, indicate that families with higher incomes consume more meat than lower income families. Data recently made available from food consumption surveys conducted in 1965 indicate this is generally true of beef, veal, lamb, and total meat consumption

but is less true of pork and poultry. In each of the four major regions of the United States (Northeast, North Central, South, and West), beef consumption per person was larger in high-income households than in lower income households. The relationship is most striking in the South where households with annual incomes over \$10,000 consumed more than twice as much beef per capita as households with earnings under \$4,000. Nationally, the surveys indicate that a 10 percent increase in income is associated with an increase in beef consumption of about 3 percent. Also, as income increases, consumers tend to purchase higher priced cuts of beef, better quality beef, or kinds of beef that include more service.

Higher Incomes Lead to Higher Consumption* . . .



. . . and to Larger Expenditures



*Per person, one week.

Pork and poultry apparently do not have the prestige or status associated with beef, thus these meats are not as responsive to changes in income. Indeed, food consumption survey data indicate practically no significant differences in per capita consumption of pork and poultry at different income levels. These data may also help explain why pork production and consumption have not increased along with beef during the past several years of generally rising incomes. Expenditures for pork and poultry, however, appear to show a more positive relationship to income. As is the case with beef, as earnings increase, expenditures for pork and poultry also rise reflecting the shift of consumer expenditures toward the higher priced cuts, better quality meats, and kinds of meat that include more service.

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