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Finding: Food Markets & Prices

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Fresh Vegetables and Salty Snacks Cost More in Urban Locales

by Hayden Stewart and Diansheng Dong



Households across the United States pay different prices for similar food products. Variation in food costs can, in turn, affect food choices and diet quality. People living in New York City and San Francisco, for example, face higher-than-average prices for many foods. Recent ERS research examined geographic variation in retail prices for two foods that differ in their retail handling requirements and perishability, as well as in their nutritional profiles--fresh vegetables and salty snacks. Findings show that households are likely to face higher prices for each of these foods when certain economic and demographic conditions exist in their community.

Using Nielsen Homescan data from 2006, ERS researchers analyzed purchases of fresh vegetables and salty snacks by 7,143 households. Average price paid per cup was calculated for a composite of 26 types of fresh vegetables across a variety of retail store types ranging from supercenters to convenience stores. Researchers also calculated each household's costs per ounce for a composite of salty snacks like potato chips, tortilla chips, and ready-to-eat popcorn.

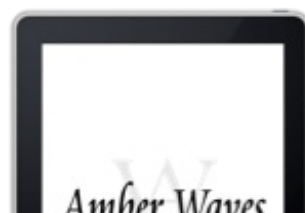
In general, retail prices depend on the number and types of stores serving a community. Retailers are likely to charge lower prices when they compete with more rivals. Urban areas with their large populations generally attract multiple food retailers eager to satisfy the food demands of residents. However, real estate prices, labor costs, rents, and other expenses are likely to be higher in urban areas and can be a hurdle to opening large supermarkets. Some urban communities may therefore be served by fewer and smaller stores that charge somewhat higher-than-average prices.

The higher prices found for both fresh vegetables and salty snacks were associated with more densely populated communities, more residents living in multifamily dwellings, greater real estate prices, jobs that pay better wages, and a more educated workforce. Prices for fresh vegetables and salty snacks were lower in communities with a greater proportion of households that have two or more members and contain children. Demand conditions in these communities may support the presence of a greater number of larger supermarkets.

Prices for fresh vegetables and salty snacks were also found to be positively correlated. When households pay more for one food, they tend to pay more for the other. Thus, fresh vegetable prices relative to salty snack prices were fairly constant across communities.

This article is drawn from...

"Variation in Retail Costs for Fresh Vegetables and Salty Snacks Across Communities in the United States", by Hayden Stewart and Diansheng Dong, *Food Policy*, May 2011, Vol. 36, pp. 128-135





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