AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search
http://ageconsearch.umn.edu
aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

Food Marketing Costs at a Glance

Howard Elitzak
(202) 694-5375
helitzak@ers.usda.gov

U.S. consumers spent $661.1 billion on food in 2000, excluding imports and seafood (table 1). Consumers' preference for quick, easy-to-prepare convenience foods, including more away-from-home eating, translated into an increased demand for food marketing services, such as labor, packaging, transportation, and energy. The estimated bill for marketing domestic farm foods totaled $537.8 billion in 2000 and represented 81 percent of consumer expenditures for farm foods. The remaining 19 percent, or $123.3 billion, represents the gross return paid to farmers.

From 1990 to 2000, consumer expenditures for farm foods rose $211.3 billion (fig. 1). Higher marketing costs were the primary factors contributing to rising consumer food expenditures over the past decade. Between 1990 and 2000, marketing costs rose 57 percent and accounted for most of the 47-percent rise in consumer food spending. In comparison, the farm value of food purchases climbed only 16 percent during this period.

Labor used by manufacturers, wholesalers, retailers, and eating places cost $253 billion in 2000 and accounted for nearly 40 percent of total consumer food expenditures (fig. 2). The total number of food marketing workers in 2000 was about 14.3 million, roughly 17 percent more than in 1990. Nearly 80 percent of the growth in food industry employment occurred in eating places.

Packaging is the second largest component of the marketing bill. At $53.5 billion, packaging costs

The author is an agricultural economist with the Food and Rural Economics Division, Economic Research Service, USDA.

Table 1
Consumers' Demand for Convenience Boosts the Marketing Bill

Expenditures	1980	1990	1995	1999	2000
			Billion dollars		
Labor	81.5	154.0	196.6	241.5	252.9
Packaging	21.0	36.5	48.2	50.9	53.5
Rail and truck transportation	13.0	19.8	22.3	25.2	26.4
Fuels and electricity	9.0	15.2	18.6	22.0	23.1
Pretax corporate profits	9.9	13.2	19.5	29.2	31.1
Advertising	7.3	17.1	19.8	24.8	26.1
Depreciation	7.8	16.3	18.9	23.0	24.2
Net interest	3.4	13.5	11.6	14.4	16.9
Net rent	6.8	13.9	19.8	25.3	26.7
Repairs	3.6	6.2	7.9	9.6	10.1
Business taxes	8.3	15.7	19.1	22.2	23.5
Total marketing bill	182.7	343.6	415.7	503.1	537.8
Farm value	81.7	106.2	113.8	122.2	123.3
Consumer expenditures	264.4	449.8	529.5	625.3	661.1

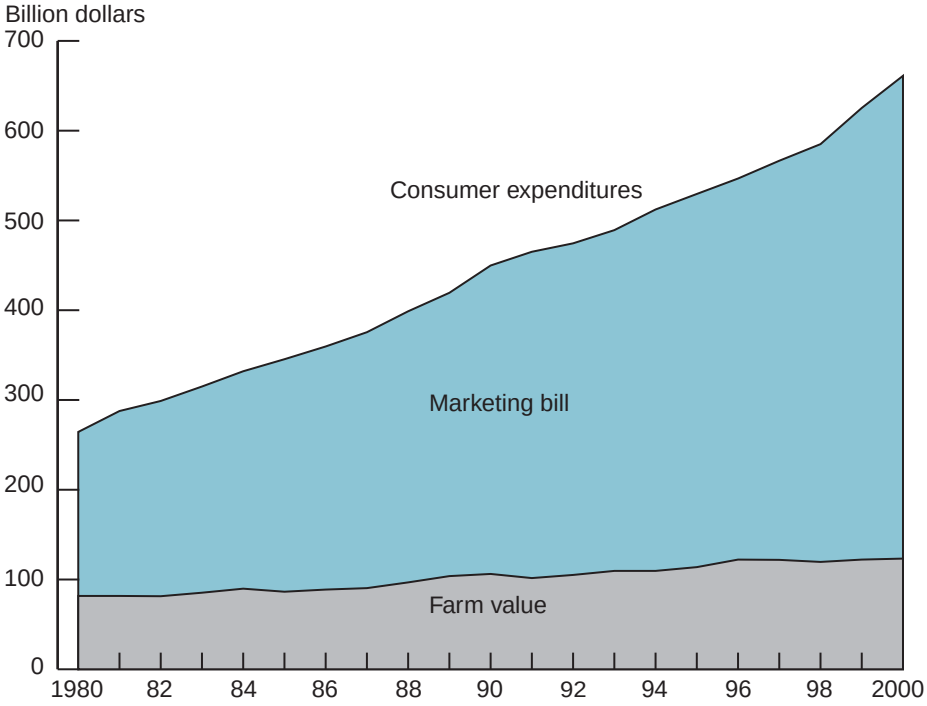
Source: USDA's Economic Research Service.

accounted for 8 percent of the food dollar and were up 47 percent from 1990. Paperboard boxes and containers are the largest packaging cost and constitute approximately 40 percent of total packaging expenses.

The energy bill for food marketing costs totaled $23 billion in 2000, and accounted for 3.5 percent of retail food expenditures. Higher natural gas prices helped boost energy costs in 2000. Eating places incurred nearly 40 percent of the fuel and electricity costs of food marketing.

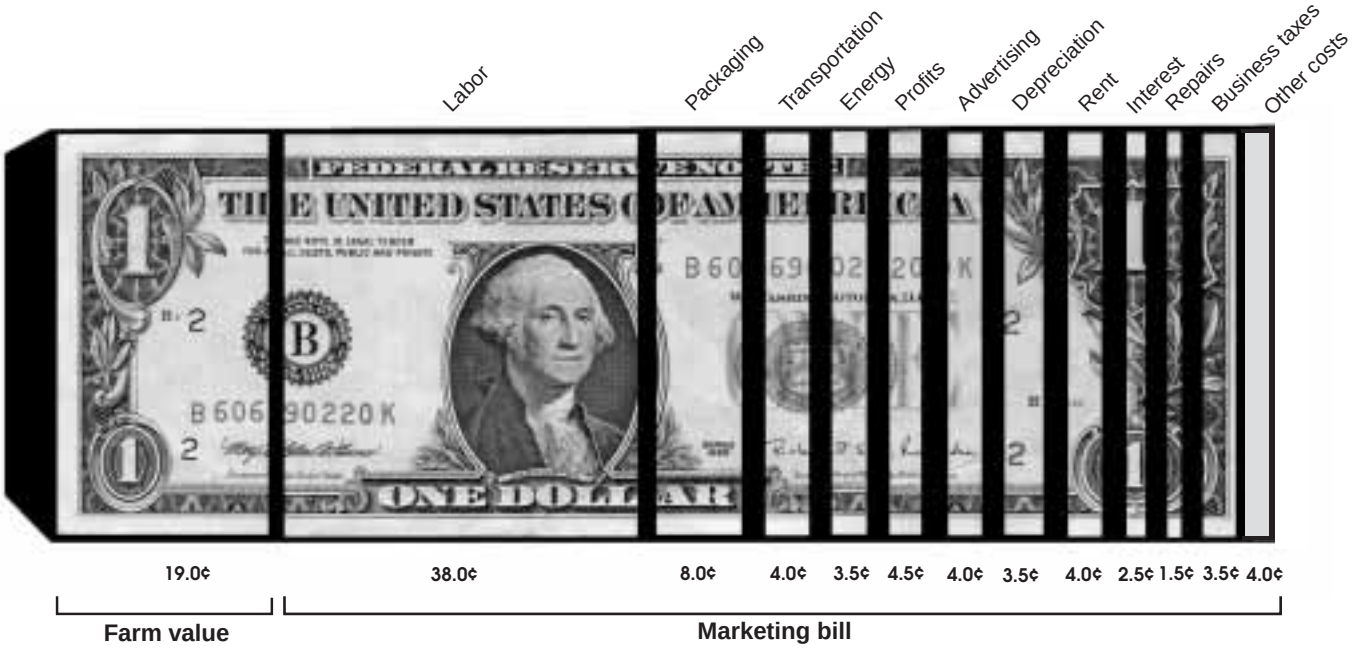
Advertising expenses totaled $26.1 billion and accounted for 4 percent of food expenditures in 2000. Food manufacturing accounts for over 50 percent of total food industry advertising expenditures, with food service contributing another 25 percent, and food retailing about 15 percent. Advertising expenditures have risen 52 percent since 1990, with foodservice firms and food retailers having the largest increases in advertising costs. ■

Figure 1
Consumer Food Spending Rose 47 Percent Between 1990 and 2000



Note: Data for foods of U.S. farm origin purchased by or for consumers for consumption both at home and away from home.
Source: USDA's Economic Research Service.

Figure 2
Labor Took Biggest Chunk of Food Dollar in 2000



Source: USDA's Economic Research Service.