



***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](mailto: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.*

*No endorsement of AgEcon Search or its fundraising activities by the author(s) of the following work or their employer(s) is intended or implied.*

# Food Spending

Alden Manchester  
(202) 219-0880

**I**ncomes normally rise faster than food expenditures, but in 1990, food spending as a percentage of income rose slightly. Much of the growth in food spending came from people eating more outside the home, where prices are higher than in grocery stores. Rising incomes are chiefly responsible for the increased spending on food away from home. Much of the increase in household income is due to a rise in the number of households with more than one earner. Such households generally have more money and less time, and eat out more often, than single-earner households.

Food and alcoholic beverage expenditures in the United States totaled \$626 billion in 1990, 6 percent more than in 1989 (table 1). Total spending for food to be eaten at home rose 5.2 percent from 1989 to 1990, while expenditures for food away from home increased 7.2 percent. Since 1965, away-from-home food expenditures have increased nearly ninefold, which is double the rate of increase of at-home expenditures (table 1). People are eating out more as incomes rise and as more women are employed outside the home. Spending for alcoholic beverages rose 4 percent from 1989.

In real terms (once adjusted for inflation), however, total overall food sales rose just 0.3 percent between 1989 and 1990. A 2.1-percent increase in real spending for food away from home was offset by a 1.1-percent decline in real spending for food at home.

## Source of Food Spending

Most funds for food spending came from individuals and families (figure 1). They provided \$444 billion of the \$546 billion (81 percent) spent on food. And, their food spending in 1990 was up \$25 billion (6 percent) from 1989. Governments and businesses contributed about 17 percent of the funds for food in 1990. The Federal Government spent \$25 billion on food stamps, donated food commodities, food supplies for the armed forces, and meals for prisoners in Federal institutions. State and local governments accounted for another \$5 billion in food expenditures. Businesses spent \$64 bil-

lion for such expenses as meals on business trips and those furnished to employees in restaurants. The value of food produced at home, including sport fish and game, totaled \$9 billion.

## Food Spending and Income

American families and individuals spent \$467 billion of their disposable personal income on food in 1990 (table 2). This 6.2-percent increase over 1989 was greater than the 5.9-percent rise in income. (See box on how food spending series differ.) Incomes normally grow



The author is senior economist in the Commodity Economics Division, Economic Research Service, USDA.

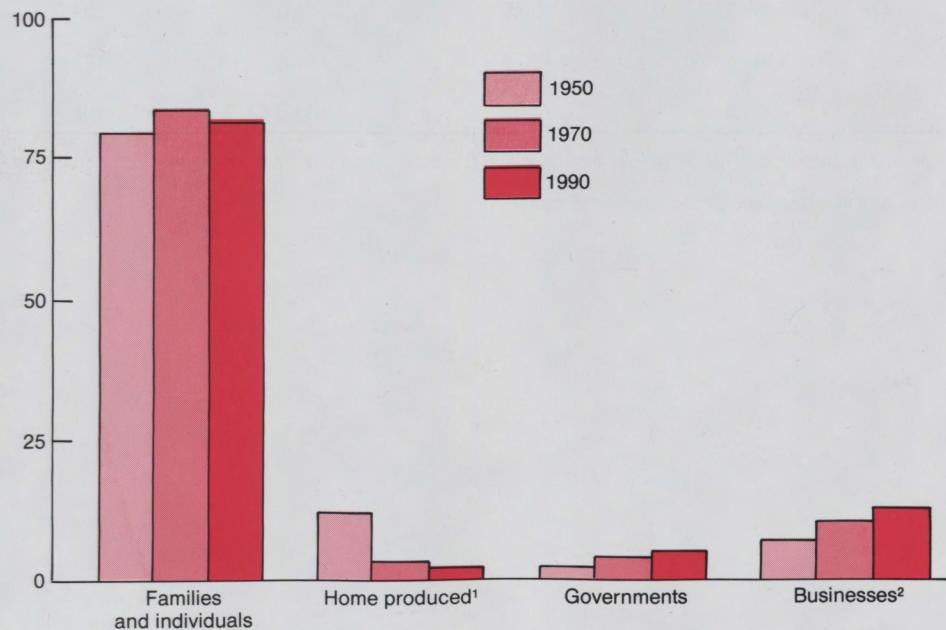
Table 1.  
Food Spending Rose 6 Percent in 1990

Expenditures	1965	1970	1975	1980	1985	1989	1990*
Billion dollars							
<b>All food and beverages<sup>1</sup></b>	102.3	139.1	219.8	356.2	471.9	591.1	626.0
<b>All food (excluding alcohol)</b>	86.7	117.1	188.0	306.2	406.9	514.7	546.3
<b>At-home food</b>	60.5	77.5	119.9	185.6	234.6	280.6	295.3
Sales	56.6	73.4	113.9	177.4	227.6	272.1	286.3
Home production and donations	3.9	4.1	6.0	8.3	7.1	8.6	9.0
<b>Away-from-home meals</b>	26.2	39.6	68.1	120.5	172.2	234.0	251.0
Sales	22.1	33.8	57.8	103.3	150.2	205.9	220.3
Supplied and donated <sup>2</sup>	4.1	5.8	10.3	17.2	22.0	28.1	30.7
<b>Alcoholic beverages</b>	15.6	22.0	31.8	50.0	65.0	76.4	79.7
Packaged	9.0	12.9	19.3	29.4	38.7	43.2	45.2
Drinks	6.6	9.1	12.5	20.6	26.3	33.2	34.5

\*Preliminary. <sup>1</sup>May not total due to rounding. <sup>2</sup>Includes child nutrition, subsidies.

Contact: Alden Manchester (202) 219-0880.

Figure 1  
Who Pays for Food  
Percent of total expenditures



<sup>1</sup>The value of food produced and consumed by the same family. <sup>2</sup>Includes philanthropic institutions.  
Contact: Alden Manchester (202) 219-0880.

## Comparable Measures Are Needed To See Relationships of Food Expenditures and Income

Constructing accurate and comparable measures of food expenditure and income relationships is difficult. Food expenditures as a share of income can vary according to how income is measured and what expenses are counted. Items such as food produced at home and food stamps can be counted as both food expenditures and income, but are treated differently in different series.

Food produced at home is valued at the prices at which it could be purchased, as in the data on total food expenditures (table 1). Its value is also estimated at the prices at which it could be sold, as done in the data on disposable income spent on food (table 2). However it is handled, the value must be included in both expenditures and income in order to avoid distorting one measure or the other.

The value of food stamps is also treated as both income and food expenditures. Food stamps supplement family income, which allows recipients to substitute food stamps for cash at the grocery store and use their cash for something else.

Besides the differences in the way food produced and consumed by the same family is valued, the total food expenditure series and the personal income spent on food series differ in that the total expenditure series includes, while the personal income series excludes, the value of food from the following: food donations to individuals, expense-account meals, provisions to inmates and patients, and donations (food and cash) to schools and institutions.

## Food Prices and Expenditures

Table 2.

### Personal Food Expenditures Rose More Than Disposable Personal Income in 1990<sup>1</sup>

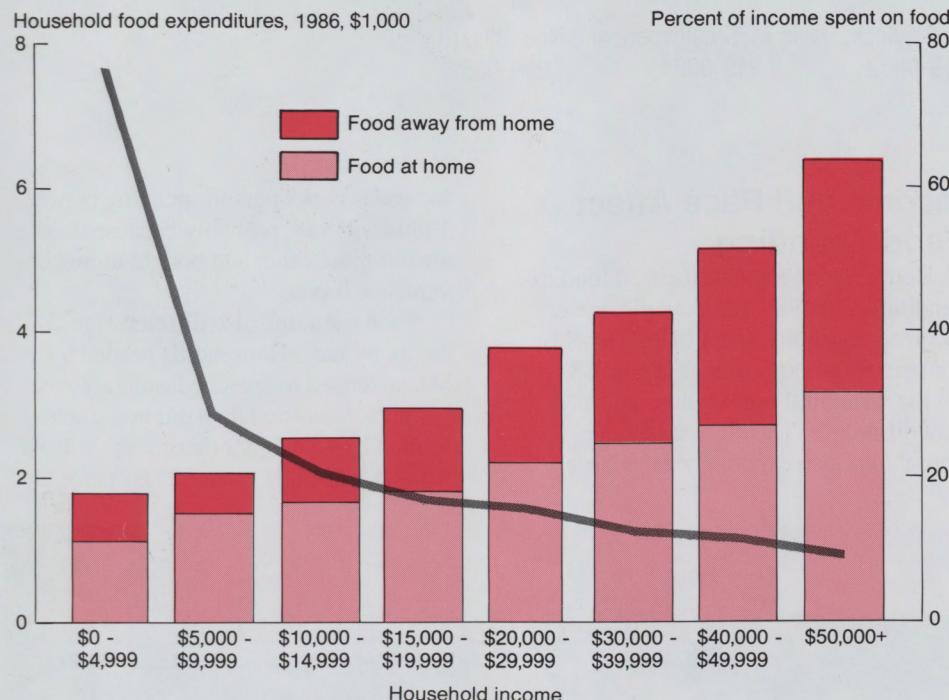
Component	1965	1975	1985	1989	1990
<i>Billion dollars</i>					
<b>Disposable personal income</b>	486.8	1,142.8	2,838.7	3,725.5	3,946.1
<b>Total personal consumption expenditures</b>	440.8	1,012.8	2,629.0	3,471.1	3,658.5
Nondurables	191.9	416.2	911.2	1,130.0	1,194.1
Food	74.3	161.0	357.1	439.5	466.7
At home	57.4	115.1	228.5	272.7	286.9
Away from home	16.9	45.9	128.6	166.8	179.8
Alcoholic beverages	13.5	28.1	58.3	68.0	70.9
At home	9.0	19.3	38.7	43.3	45.2
Away from home	4.5	8.8	19.6	24.7	25.7
Cleaning and household supplies	5.7	12.5	26.4	32.8	34.3
Toiletries	4.5	10.3	23.1	29.7	31.5
Tobacco	8.1	15.1	32.2	41.7	45.1
Drugs	5.2	12.0	28.1	36.4	39.2
Clothes and shoes	34.1	70.8	156.4	204.6	213.3
Gasoline and oil	14.8	39.7	90.6	83.8	93.7
Fuel, oil, and coal	4.4	8.4	18.5	17.7	18.6
Other	27.3	56.9	120.5	175.8	180.8
Durables	63.5	135.4	372.2	474.6	480.9
Motor vehicles and parts	29.9	55.8	179.1	215.5	213.5
Furniture and household equipment	25.1	54.5	129.9	171.4	176.5
Other	8.4	25.1	63.2	87.8	90.9
Services	185.4	461.2	1,345.6	1,845.5	1,983.5
Housing	65.4	148.4	403.0	533.9	569.5
Household operation	26.5	63.5	175.3	206.3	210.9
Transportation	14.5	35.7	89.8	126.4	136.6
Personal care	8.2	13.2	32.1	48.6	54.7
Medical care	25.9	84.2	291.5	434.3	483.7
Personal business	20.2	52.2	169.9	243.1	255.1
Recreational	9.4	24.7	74.1	108.9	119.2
Other	15.3	39.3	109.9	144.0	154.0
<b>Savings</b>	34.3	104.6	125.4	171.8	179.1
<b>Other<sup>2</sup></b>	11.7	25.4	84.3	103.6	108.7

<sup>1</sup>As of February 27, 1991. Data may not total due to rounding.<sup>2</sup>Includes interest paid by consumers to businesses and personal transfer payments to foreigners.

Sources: Bureau of Economic Analysis, Department of Commerce; USDA for food and alcoholic beverage data.  
Contact: Alden Manchester (202) 219-0880.

Figure 2

**The Amount Spent on Food Away From Home Rises Sharply as Household Incomes Increase**



Source: U.S. Food Spending and Income: Changes Through the Years, AIB-618, USDA, ERS, Jan. 1991.  
Contact: Alden Manchester (202) 219-0880.

than food spending, as evidenced by a smaller share of disposable income (income after taxes) being spent on food. For example, food spending's share of disposable personal income was 11.8 percent in 1990, 12.6 percent in 1985, 14.1 percent in 1975, and 15.3 percent in 1965.

One explanation for the rise in food spending relative to income is the increased demand for services, as away-from-home food spending rose faster than incomes. Away-from-home food spending increased 7.8 percent from 1989, while at-home food spending rose only 5.2 percent. In 1965, 23 percent of personal food expenditures went for food away from home. By 1990, that figure increased to 39 percent.

The desire for services also affects nonfood purchases. As incomes rose during the past two decades, the majority of the increase went for nonfood items and services like housing, transportation, and medical care. Since 1965, the share of income spent on services has climbed from 42 to 54 percent.

Households with higher incomes spent more money on food. But, the proportion of income spent on food was much higher in low-income households (figure 2). For example, the share of income spent on food averaged 42 percent in the 20 percent of households with the lowest before-tax incomes (including food stamps). Food spending totaled 9 percent of before-tax income in the 20 percent of households with the highest incomes. ■